

Minutes
Indiana University
UNIVERSITY FACULTY COUNCIL
Multipurpose Room
Library Building
Southeast Campus
April 22, 2003
1:30 - 4:30 P.M. E.D.T.

Summary of Actions Taken:

Agenda

1. Presiding Officer's Business
(Interim President Gerald Bepko)
2. Agenda Committee Business
(Professors Robert Eno and Mary Fisher)
3. Question / Comment Period*
(President Bepko and Professors Eno and Fisher)
(10 minutes)
4. Report on the Advanced Research & Technology Institute (ARTI)
(Mr. Mark Long, President, ARTI)
5. Auxiliary Systems Management Responses to Administrative Services Review
(Vice President Judith Palmer; Ms. Kathleen McNeely, Managing Director,
Financial Services)
6. Annual Affirmative Action Report
(Ms. Julie Knost, Director, Office of Affirmative Action)
7. Chancellors' Review Procedures
(Professors Eno and Fisher)
(Circular U7-2003)
<http://www.indiana.edu/~ufc/circulars/02-03/U7-2003.htm>
8. Procedures for Athletics Committees
(Professor Eno)
(Circular U5-2003)
<http://www.indiana.edu/~ufc/circulars/02-03/U5-2003.htm>
9. By 4:15: Executive Session: Honorary Degrees to Be Awarded
(Professor Abhijit Basu, Honorary Degrees Committee)

ATTENDANCE: There are no attendance records for this meeting.

ENO: Gerry Bepko had to go and place an important phone call. And he made sure to specify to us that it had to do with the legislative process and so it wasn't something that he was just um, that the UFC was not a matter of, so he asked me to start the meeting and I'm going to do that. I can't welcome you all to the Southeast campus because it's my first time on the Southeast campus so I'm not in a position to welcome you. But the Chancellor of the Southeast campus, Chancellor Sandra Patterson-Randles is here, and joined us today so I'm going to defer to her and ask her to make whatever comments she'd like to make.

PATTERSON-RANDLES: I'll just make some very brief comments. Let me give you a very, very warm welcome. I'm glad to see you here on our campus. We're very proud of it. We have a terrific bunch of students here. You may have heard that last fall we had our largest student enrollment ever, about 6700 students; largest number of credit hours ever. On this campus we have 38 baccalaureate degree programs, 6 masters' degree programs, 9 associate programs. We've been very blessed to have a faculty that not only excels in teaching but also has done some astounding work recently in research and in getting grants. And a wonderful staff. Our staff here, and our faculty, are noted as being very, very supportive. We have students who come from the University of Louisville, find it not a supportive environment; they come over here and say this is wonderful, the classes are smaller and the people are very caring.

So, we're basically very proud of this campus. As you can probably tell it's a beautiful campus and it's getting more beautiful everyday. And we're particularly pleased with the fact that our new library is going to be started in just a few weeks. So I would ask you when you have a chance, when you're down in this area, like going to the Kentucky Derby or something, stop on by, let me know that you're in the area. I'd be happy to give you a tour of the campus and show you some of our new facilities and features and have you have an opportunity to talk with our faculty and staff, and in particular our students. Our students are really terrific. Most of them are first-generation college students. 75 percent of them work to meet their college expenses. About 55 percent are traditional, full-time students, and 45% non-traditional students. Very closely tied to the community and now 89.7% of our students go right back into this local region. So we're very very much invested in this university. And we have a very good university/community relationship that I'm very proud of. Since this is my first year, I haven't even been here a full year yet, I can tell you that I truly love this place and I am absolutely delighted to be here and I'm delighted to welcome you. So a very warm welcome to all of you.

ENO: Thanks very much for having us, for hosting us. When we arrived here from Bloomington, the car that I was in, it was immediately apparent on our first visit that this was a very lovely place. I was anxious to walk around and look around and I didn't know which building to go to because I thought I would have the opportunity to do so. But Al Ruesink has been here many times I guess and knew exactly where to walk and which doors to use. So I look forward to wandering around campus.

What Mary and I decided was that since Gerry wasn't here to start the meeting we will put off the Presiding Officer's Business and we'll put off the Question/Comment period as well until Gerry comes back.

**AGENDA ITEM #2: AGENDA COMMITTEE BUSINESS
(PROFESSORS ROBERT ENO AND MARY FISHER)**

ENO: We don't have Agenda Committee business per se. I did want to say something just for the form all of you, just the smallest amount that I'm able to inform you about the progress of the presidential search. As many of you know, those of us on the search committee, have been trained to say, "The Presidential search is moving forward and to thank you for your interest." The goal of this has been since we decided to have a closed search there would be no point in having had that closed search and making sure that people do not have access to information about candidates or opportunities broadly related. If we gave out that information that would allow some of the candidates identities to slip out in any way, through members of the press or whatever, thus blowing the closeness of the search in some critical point after nobody had a chance to participate in the interview process but the whole point of the closed search was to maintain the integrity of the candidates would have been tossed. So we've been trying as best we can to adhere to the party line of letting you know that the search is moving forward and making sure you know how much we appreciate your interest.

The search committee has formally completed its job. And its job was to interview those candidates that were regarded as truly viable candidates. That process is over and a short-list was created. We've been asked by the chair of the committee to not state how many members there are on the short-list, but it's relatively short. And I can tell you and I think this is really important to know, that because we've kept this process so closed that we have, to this day, achieved the object of this whole closed search process aims at, which is the integrity of the candidates, which from the start has been perfectly preserved. No information has slipped out and no candidates have dropped out as a result of that. So there is a payoff for being kept in the dark. At the beginning of this process the Trustees made a decision to go with this closed process to make sure we had the largest possible candidate pool and we kept the best candidates in. And they tried to compensate for that by having a lot of pre-search activity in terms of the meetings, learning what people think, publicizing the criteria we were going to use in search for the president, getting as much input as possible. And it was a judgment of the best possible thing to do if you're going to have a closed search is to make the best of the tradeoff; try to get the information, try to be as open as possible as you can be before you have to shut down completely. One other thing that I can tell you is that the search committee paid real attention to the criteria that came out of those town meetings; it's been a constant subject of conversation, both in terms of how to shape the search, how to welcome the candidate pool, and in terms of how to evaluate candidates as we encounter that. So we tried as hard as possible to maintain some of the values that come with openness in pursuing a search that was closed; closed for the purpose of making sure the best possible candidates were available. I am really conflicted about this process. I am much more comfortable with an open process where everybody gets to take their hits, but I certainly understand the rationale and I feel very sure we will not have the same pool of candidates, that we now have, if it had been an open search process. Marty?

SPECHLER: Well Bob. I'm less conflicted. People may have seen in the Indiana Daily Stupid Student that the Dean of the Kelley School was announced as a candidate for Presidency of the University of Florida. Now, I don't know what that does to the University of Florida and I don't

care; but I don't think it does any good for the Kelley School of Business and the morale of people in the Kelley School of Business. And I would imagine that it gives Dan Dalton some second thoughts about remaining in the search at the University of Florida. So I think you're right about that. And it doesn't bother me that it's a closed search. I think that is appropriate at this level because everybody in the search pool is bound to have a responsible, and one would think, successful career elsewhere. But I'd like to ask one question, Bob. In the past, well, I'd like to ask whether the committee, before they put a final list together, will visit the home campus or location of the likely appointee to get any idea of how the faculty interact with this person.

ENO: Yeah, that's been a major topic of discussion in the search committee. It's one of the things that faculty members on the search committee wanted to ascertain at an early date just what does a closed search mean. Is it closed completely closed, entirely, all the way to the end? And so can you check references? And the model that the Trustees are using is a model where the search becomes open at the end of the process; there is greater and greater risk of disclosure because of the need of the Trustees to explore in more depth, both references and then those who are not references, we'll include those on campuses, just a broad base of inquiry. The Trustees are committed to trying to get as much good information as possible by direct contacts, and perhaps direct site visits as they can.

SPECHLER: I think it would be wonderful if you or Mary or other people would go incognito, that's without the hat, to the campus or other worksite and see how the faculty have worked with this prospective appointee. I think that'd be wonderful and you know I think in the past we've lacked that information. Letters of recommendations too constant; we want to hear the whole story.

ENO: All I can tell you is that the Trustees are very alert to this issue, extremely alert to this issue and do not want to make an error in this.

MALE SPEAKER: Without trying to get any information out of you about the candidates on the short-list, could you give us some sort of idea on the timeframe when, more or less, might we expect a solution to this ongoing?

ENO: I can tell you that I've been instructed exactly how to respond. The search is proceeding forward on schedule. Once more, I can add that I thank you for your interest.

MALE SPEAKER: I thought it was just an innocent pleasure.

ENO: I am sure you realize that when we get to the end of the process there are always going to be, what we can't know what to expect in terms of bringing closure to the topic. It could be disruptive to give an expectation of a time during the process because it might not be met for any variety of circumstances. It would be better probable not to...It really is true that when we first talked about optimal schedules, we laid out a certain time line of what we thought would be the best possible outcome and as of now we are on that timeline. Any other questions that I can answer frankly and openly? OK.

**AGENDA ITEM #4: REPORT ON THE ADVANCED RESEARCH & TECHNOLOGY
INSTITUTE (ARTI)
(MR. MARK LONG, PRESIDENT, ARTI)**

I think then what we should do is move on and start addressing our main substance items and those, is it worth, there's no worth, we'll put off question/comment until Gerry comes back and have a chance to give him a chance to answer questions. And so we will start with #4, a report on the Advanced Research and Technology Institute. The President of ARTI is Mark Long was kind enough to drive down here and meet with us today. And this is a presentation that we requested. We realized that many faculty, including those of us here, don't know a lot about ARTI, which is becoming an increasingly important aspect of the university. we thought it was not a good thing for faculty to not be well oriented to it and we asked Mark to come down and give us an orientation.

LONG: As you can tell I also follow Al wherever he goes.

ENO: Anywhere, we're in a very large room for this group and anywhere you want to locate yourself Mark would be fine.

LONG: I'll just go in the middle.

ENO: These are not amplifying mics, they are recording for posterity.

LONG: Well good I'll be hear when they can't record me anymore. I appreciate the opportunity to come down here today and talk a little bit about ARTI, the Advanced Research Technology Institute of Indiana University; what we do, what we are, what we are doing, and what we plan to do. A little bit about myself, I came to Indiana University last February, about 14 months ago, from Washington University in St. Louis where I was the Director of the Intellectual Property office there, after a long career in medical advises and technology. I am a graduate of Florida State University, which is why I would hate to see Dean Dalton go to the University of Florida, a second-tier institution. [LAUGHTER] And I finished my masters' degree there in molecular biology in 1982; moved to Indiana last February. I have a daughter who is a sophomore at Indiana University Bloomington and I'm happy to report that she's only changed her major 4 times thus far, but we're making progress with her. And I have a son who is thirteen. We live down in the Center Grove district, south of Indianapolis, and he is in the 8th grade there. And he is compensation for having my daughter, I think.

ARTI was founded in 1997 by Indiana University as the exclusive agent to carry out the principles in the University Intellectual Property Policy. One of the primary reasons, aside from that, was that the state law and some federal law, prohibits state universities or public schools from holding incorporations. ARTI was created as a 501c3, non-profit corporation, of Indiana University. We are the third affiliate. There are three affiliates of IU; the Alumni Association, the Indiana University Foundation, and ARTI. There are several things that fall under ARTI, certainly the Office of Technology Transfer which involves primary contact with faculty. In addition, the Office of Licensing and Trademarks; we are the owner of all the University

trademarks. We own the I-U. We own the term Hoosiers, if you use it singular, I'm sure you've seen Hoosier Tire, Hoosier Pub, Hoosier this...if you add an "S" to the end of it, you have to pay us royalties. We are currently negotiating with the State of Indiana for every time the governor mentions that.

The other things that, the other area that we have also is new corporate development or economic development. We are the economic development arm of Indiana University to the public. At Purdue, they have the Purdue Research Foundation, at Stanford they have the Stanford Research Foundation. At Indiana University, we have ARTI, that operates as the public economic development arm to interface between us and government and industry. The last, there are two other things that are under us actually. One of them is the Midwest Proton Radiotherapy Unit, a new cancer treatment facility at the Cyclotron in Bloomington. I'm the CEO of that; as well, it is a business that has been started by Indiana University for cancer treatment. Also, the Kelley Executive Partners Group, which is executive customized management and education is also under ARTI as well; mainly because they generate a profit and the University cannot engage in a direct profit-making activity because the damages are tax debts.

That's what ARTI does. We really are here as a service organization, certainly at least since I've been here the last 14 months. And our customers are the faculty; which is why I'm happy to be here today. We meet with a lot of faculty, we conduct seminars for a lot of faculty, we spend a lot of time with the Deans, with the Chancellors, anyone who needs our services in reference to intellectual property advice, patenting, trademarks, copyrighting, and anything that has to do with intellectual property policy of the University. ARTI is composed of, basically of, I think around 14 people now directly. There are 2 people in licensing and trademarks in the Indiana University Research Park in the Showers Building in Bloomington. There are 7 people involved in the Office of Technology Transfer. They travel to various places; I know they've been to Terre Haute and some other areas where some people have had questions about intellectual property. They are based in Indianapolis at the new building that we are in, I'll talk about that in a minute. There are 5 people in Administration and Business Development. We are required to present financial reports to the University. We also handle distribution of income from patents that have been licensed to different companies. Any time that goes to individual faculty members, it goes to schools, it goes to campuses, and it also goes back to the university.

We have a board that's composed currently of 17 people, President Bepko is the Chairman of the Board. Judy Palmer, the CFO, is the Treasurer of the Board. The Vice President of Research and Graduate Studies, which, excuse me, the Research School and Graduate Studies, and IT now, Michael McRobbie is the Vice Chairman of our board. The secretary of the Board is Al Ruesink who is elected as a faculty member from this group. In addition, we have two other faculty members, Dick Peterson, from the IUPUI campus and Jeff Zaleski from the Chemistry department on the Bloomington campus. The other members are composed mostly of industry and local business people. We have representatives from venture capital management groups, we have representatives from Broach, Lilly, Guiden, some of the other large companies in the area that are interested in the economic development involvement of Indiana University in the public community.

I gave you all a copy of our annual report. This just came out not too long ago, we were hoping to get it done a little earlier this year, but it does show that last year, we had a press release a couple of weeks ago that we had a record year in terms of patents, in terms of new inventions disclosed, in terms of a lot of the different measurements that we use. This year, we are already on pace to break this by a good margin. In fact, revenues this year from licenses and trademarks are up 32 percent already; almost all of that money, all of that money basically comes back to the university. We are funded by the university directly. We were originally set up to take a portion of the income that we received as our operating expenses. However, that portion long since exceeded what our budget is which has been the same since 1997. Therefore, the arrangement is that all the monies go back to the university and in turn the university funds us. Our total budget is 1.72 million, \$1,720,000 for the year, for the staff and for the patenting activities that we do. We pay for patents. If you come up with an idea that is patented, ARTI pays for it and we run it through the patent process. We work alongside legal counsel to get a patent then we pursue the licensing with the appropriate company, usually in conference with you and your preferences.

What are our plans? What are we trying to do? Basically we are trying to show that Indiana University has a definitive interest in Indiana. I am a native Hoosier. I was born here, in Knox, Indiana, a little town up in the north, sort of central corridor...all 800 people there now I think. My wife was actually born here as well, fairly near here in Salem. In fact, right now I'm only 80 miles from my in-laws which makes me a little nervous. We are working on a lot of different economic development initiatives. We just purchased and are building out an incubator facility for new business creation in downtown Indianapolis, right on the canal. Now, the Indiana University Emerging Technology Center. Very similar concept to the Purdue Research Park that Purdue has in West Lafayette. Very similar to a lot of research parks around the nation. This allows us an avenue rather than just licensing IU technology to actually create businesses and start-ups out of IU Technology therefore adding to the Indiana economy. We really try to recruit businesses that are associated with the university, develop businesses out of the university, and keep those in Indiana to add more tax base, to be good corporate citizens, to provide jobs and training areas for graduate students, post-docs, and graduates of IU. We recruit quite a few people, particularly at IUPUI School of Medicine to come over and work in these companies and work in these companies and intern in these companies. We ourselves, ARTI provides space for 3 interns a year, in different areas, some of them in the School of Business, some of them out of the School of Medicine, some of them out of the school of biology and we encourage our companies to do that as well.

In addition, I've done a lot of groundwork in Kokomo, with a Kokomo technology center that they're planning on building up there. I've been over to Richmond several times to work with Green Hospital on an incubator facility that they're working on there. And I've also been up to South Bend twice to have group discussions with Notre Dame, South Bend Memorial Hospital Association, and IU South Bend on an incubator facility that they want to take there as well. It may not be a cure-all but in many places it is appropriate to have a place with the IU name on it and the IU flag out front as a start in the community for developing the new technology businesses are going to be necessary in the 21st century.

What else have we done? We reorganized the department to try to put more Indians and less Chiefs frankly. More people on the front lines meeting with faculty, holding seminars with

faculty, visiting and serving the faculty-people who are our customers to provide them information on intellectual property transactions, to provide them information about patenting, to assist them in their efforts to start and form new businesses and to provide general communication across the faculty range and to each institution of what ARTI does and what we can do for you. As I said I gave the annual report, I'm not real big on PowerPoint presentations, sometimes you get PowerPoint-ed out so I've kind of limited that. My dad's a preacher so I get a lot of this from him. And in addition, one other fact you need to know is that I am Indiana University's ONLY authorized Elvis impersonator.

FISHER: He's good...

LONG: Are there any questions or anything else you want to know that I didn't go over? I'm sure you have a few questions about how things are run and what they do.

ENO: I have a question.

LONG: Yes, sir.

ENO: I'd like to know if you could talk a little bit about how the Life Sciences Commission is impacting ARTI.

LONG: OK. Great question, Bob. The Central Indiana Life Sciences Initiative, and so far since I've been involved in it I have discovered that Central Indiana covers from New Albany to South Bend, I have no idea why they use that name. ARTI is Indiana University's official representative in the Central Indiana Life Sciences Initiative. What that is, if you haven't heard of it, is an initiative taken by business, local organizations, business organizations, and government and universities, Purdue and IU in particular, dedicated to promoting a new economy in Indiana based on biotechnology, life sciences, medical sciences, businesses to replace some of the rust-belt type businesses that Indiana's typically been known for. My grandmother worked 34 years for United Guide Lamp in Anderson, Indiana and my grandfather also worked for Studebaker in South Bend, Indiana. I remember when Grandpa came home one year, I think it was 1959 I believe, for Thanksgiving dinner and he said, you know somehow I don't think they're going to be making Studebakers' too much longer. He was quite the prophet, because they're not. There are a lot of things that are changing in the economy. The Life Sciences Initiative is set up to drive that change to attract life science business outside the state, to create more life sciences business in the state. One of the ARTI's primary tasks is to represent IU on that and to ensure that people know that IU is active in this initiative, IU is involved in this initiative, and IU is driving this initiative to promote the economy in the state; which, less face it eventually flows back to us in supporting higher education. So that's a big driver for ARTI right now is to get involved in that. We're on, I'm on the Life Sciences Commission steering committee and on the meetings committee to try to attract national meetings to Indiana as well.

ENO: Marty?

SPECHLER: Why don't you go...

MALE SPEAKER: Oh, thanks. On page 14 I noticed you mentioned earlier licensing and trademarks, licensing and trademark income is falling off tremendously.

LONG: Absolutely.

MALE SPEAKER: Did we lose the rights to some pitch fork or something?

LONG: That's...licensing and trademark is largely connected directly to the performance of athletic teams. Last year Ohio State University's licensing and trademark income went up 3.2 million dollars because they won the national championship in NCAA Football. Usually trademark sales are cyclical based on two things: performance of sports teams, basically. We will be up this year because IUs performance last year when they went to the Final Four. There's about a year lag time in that. Secondly it's based on clothing trends. My son will not wear anything that does not say Abercrombie & Fitch on it, or Abercrombie or Fitch or something. He won't wear it. Ten years ago, everybody wore University of North Carolina, Indiana University, University of Michigan shirts. That was the style at that time. We have traced back the last four years and it's sort of a cyclical relationship where everybody starts to wear Nike, Adidas everyday and then they go back to university apparel and that goes up and then they go back down to brand name merchandise. This year our revenue will be up substantially because of the performance of basketball team the year before. Also we've instituted some marketing efforts to promote new items for sale. You talked about pitch fork, one of our policies that we protect for the university is that there is a prohibition on four licensing areas for IU trademarks. They are alcohol, tobacco, firearms, and games of chance. We had a request three weeks for a custom pair of Smith and Wesson handle grips that had an IU on it. We didn't want to see those across somebody's chest on CSIs late night edition. In addition we received a request for an IU slot machine last year. If you pull the lever and you get three Gerry Bepko you won the jackpot or something. But again, like IU poker chips. I guess that's the way it works, but we protect the university's interest on that. But, we have taken some new marketing efforts for some new merchandise and new material, stadium seats, ticket promotions with Ticketmaster that have the IU Schedule on the back of it, brand additional.

MALE SPEAKER: Is this all the campuses or just IU Bloomington?

LONG: Yes, this is everyone.

MALE SPEAKER: Do the campuses get back their portion of this?

LONG: Yes they do. According to the Intellectual Property Policy. Yes sir,

SPECHLER: You mention that you meet with lots of faculty in fields where there is technological activity. Can you mention any difficulties that you've had working with faculty in this area?

LONG: Sure, I think that the two most common difficulties are one awareness, people don't, I've been here for fourteen months and I go and present to faculty groups or I meet with faculty members and people do not know what we are, who we are, what we do, or who to go to, that's

been one of the major problems. I think the other problem that people have is a misunderstanding of what we do versus what we represent, and that comes under the general heading that people put down for academic freedom. There is an issue regarding academic freedom on understanding; that is a very important issue for us. We are not here to commercialize the university. We are here to protect the interests of the faculty and protect the interests of the university and sometimes that fix is an interesting one to walk. Nonetheless, we've had several faculty members, particularly in the area of Information Technology lately, said they are concerned about open-source software. They don't want us to take property, intellectual property and license it to a company for a profit; they just want to give it out free of charge as an open-source software program that anybody can have even though it was developed on university time with university funds. We represent primarily the faculty. We sat down and had a meeting with the faculty and they agreed that on those instances where they feel that it should be that way we sit with them, get the reasoning behind it, and move ahead with open source software. Where it becomes a conflict with the University Intellectual Property Policy and the Bayh-Dole Act of 1980, which is why we're in business today, the Bayh-Dole Act states that if you even have a light bulb in your facility that was put together with federal funds, NIH, NSF, anything, the government retains a march in right to that. Then we have to sit down and look at the logical path with that. We have to offer to the government first; our compliance department spends a lot of time on this. The government has to turn it down which usually only takes them a year or so and then we discover what path we want to go on. But I would say really the most common thing we come across is people just don't understand who we are and what we do more than anything else. Yes, ma'am.

FEMALE SPEAKER: In relation to that could you go over faculty members, supposing a faculty member has an invention and now wants to go through the process of patenting it. What is the responsibility of the faculty member, the department, and the campus, and ARTI? Could you go over that?

LONG: Sure, very simple. The faculty member is supposed to send us, and on our website which is on this report arti.indiana.edu, send us an invention disclosure form. Then we immediately notify the faculty member, basically number one thing to avoid public disclosure—this is our number one problem with patents. People come out and say well I gave a talk about all my work at a private conference, that's not public disclosure is it? Yes. And that throws your patent rights out the window for patent rights. You actually can still patent up to a year later but the strength of it is somewhat questions. So our biggest problem is really public disclosure. Well I just talked to a colleague of mine at the University of Arizona about it and nobody else...it doesn't matter, that's public disclosure. That's a problem. So we take it, we evaluate it for patentability and we usually sit down several times with the faculty member and conference with them and say this is what we found out; there is nothing else like this patented, this is patentable material, etc. And we also give them a marketing evaluation. If you were to patent this, because I've got lots of rooms of wallpaper with patents that are worth no more than wallpaper, this is what you can expect to look at for a market for it. And again, we try to encourage people that all we do is patent it and license it. What you do with the money is your business. If you want to throw it back into your laboratory, into your research, into your department, if you want to endow a chair, if you want to buy a Porsche, I don't care. That's your business. So we set up the patenting and marketing of it and explain to you how much it's going to cost, what route it's going to take, and

why we think you should or should not do it. Then in conference with you we decide to go ahead or not. Then we turn around and talk to you about potential companies you know of, and you know it better than we do who might be interested in it. Who would look at it? And we also give you some suggestions of companies we watch; we license, Indiana University licenses tons of software with Microsoft, Cisco Systems, IBM, all the big companies, Dell, so we know who to pick from. I often joke that I went through kind of an arduous process to get hired too. It was a closed search over five months with several interviews and if I leave today and you don't like me it's Al Ruesink's fault. Actually, I think 32 people interviewed me and 20 of them were faculty. The big thing is deciding really to patent or not and that has to be a joint decision because you know the market and you know your research better than we do. But we do know a lot of people, we have rolodexes full of contacts in the industry. We try to get you the best possible scenario to, not necessarily just to get money, but to get your invention out in the public sector where it can do some good, which is the mission of the university.

FEMALE SPEAKER: Can you go over if it is licensed what is the division of funds?

LONG: The division of funds is according to the Indiana University Intellectual Property Policy which is on our website. It's on a sliding scale percentage. The first \$100,000 the inventor gets, I think, 40%, the university gets, I mean the school gets 30%, and the university gets 30% and it changes from there. If your invention brings over 1 million dollars than the faculty member gets 25%, the school gets 25%, and the university gets 50%. It's a sliding scale percentage which is actually very generous. If you were at Harvard, the faculty member gets 5%; if you're at Stanford the faculty member gets 10%; if you're at Washington University in St. Louis the faculty member gets 50% but they're required to give 25% back to the university.

Anything else? My, you can find us here. There's a website in there. I'm in the IU phone directory, you can always call me up and say hey I'd like you to come to my department, which I hope you do. I'd like you to come and speak with the other faculty members in my area, we meet with everybody. I'm meeting with Bill Hartman in the School of Social Work next week and giving a talk. The single most licensed invention in the world, not just in the United States, comes out of the School of Social Work; not out of a School of Medicine, not out of a School of Health. George Warren Brown School of Social Work at Washington University in Saint Louis has licensed from one technology 6,000 different times. Another interesting meeting I had lately was with Gwyn Richards, the Dean of the School of Music. In Bloomington it turned out they've got a tremendous library of recordings and items from the history of the School of Music in there and they said did you think that was commercializable? And I know he saw the dollar signs in my eyeballs; but also I think it's a great thing to have out in the public sector. Again, they're promoting Indiana University having a terrific School of Music in addition to a large School of Medicine, in addition to a great research institution. So, if you have any questions or anything you can email me, I'm in the book, and in the directory, call me up and we'd be happy to share what we do. Thanks.

ENO: Thanks very much, Mark.

LONG: You're welcome.

**AGENDA ITEM #1: PRESIDING OFFICER'S BUSINESS
(INTERIM PRESIDENT GERALD BEPKO)**

BEPKO: I want to say thank you to Mark Long. Mark is already doing an excellent job. He said he was the only authorized Elvis impersonator at Indiana University and there's some question about whether he's authorized. But we're pretty sure he's the only Elvis impersonator. This is a very important function of university work because I think, everyone knows, the percentage of our resources that comes from the state is likely to continue to shrink and we have to be good at attracting philanthropy, we have to be good at attracting grant income, and we also have to be good, and consistent with academic freedom and with our openness as an academic community, we have to be good at taking advantage of the intellectual property we've created and licensing it. Last year's figures are available. Higher education earned about a billion dollars in licensing income. Indiana University ought to have it's share or more of that and Mark Long is the person I think that's going to lead us in that arena.

I'd like to say just a couple things about the budget and the progress of the state general assembly. As you know we are reaching the climax and the budget will probably be set next week—they thought that it might be finished this week, but probably next week. The news media heard about different possibilities with respect to higher education. I don't really think there's that much dispute on higher education actually at this point there is a Senate bill and there's a House bill and they both lean and less-than-we would hope to have, but in view of the state's economic and structural deficit they're actually pretty good. The House version of the budget is a little better for us, mainly because it would restore the cuts that were already made in our base—that's a large number about 13 million dollars for Indiana University for all campuses—and the House version has a couple of capital projects that are not in the Senate version of the budget. So we'd like to see the House budget, or more of the House budget in the final budget that's adopted by both houses. And we think there's a possibility that that will happen, a strong possibility. I think the governor will sign the budget even though lots of people who...people in the governor's office believe that it is not a solid budget. It's flawed in the sense that there probably will not be enough revenue to support the expenditures that are planned. And even beyond that, they probably have budgeted expenditures that are unreasonably low in two areas—corrections and Medicaid funding. So sometime during the year there could be a question of reopening the budget, having a special session of the General Assembly, and going back in a crisis mode and probably, we would hope, address the issue of the tax increase to correct the structural deficit. But there are lots of people who are optimistic about that and saying that they shouldn't do anything now, but we should move ahead with the budget and we'll find the money to make it work during the year. The danger of course for us is that if the legislature is not going to reconvene and there is a deficit and the governor can't pay all the bills we're one of the areas that could get cut in the middle of the fiscal year. But we hope that doesn't happen and we're hopeful that if there is a crisis that it will be addressed through a tax increase and our budgets will be protected.

In the General Assembly there's been a lot of stirring as you probably heard about transferability and articulation. I think we're doing a good job of that, but we don't get enough credit for it. There will be, or there has already been passed a law introduced by Representative Herrell in Kokomo and signed by the governor that will refer all remaining years of transferability and

articulation to something called STAC, many of you are familiar with it. It's the State Transfer and Articulation Commission and over the next couple of years with deadlines set by the General Assembly we are to have all courses reviewed and transferability and articulation agreements specified. In the interim, what we planned to do to try to take the political heat off of us and maybe move it onto somebody else, we have been sort of a lightning rod in terms of transferability issues. We are planning to designate an office on each campus where students could contact if they have grievances concerning transferability issues. There already is an appeal process that's available, but we want to have a student friendly face for this without adding any great burden because I don't think there are that many students that have actually a serious problem that has to be resolved in the academic units themselves; but we would like to have an office that would be designated. The existing office that is already available for student services; that office is designated so that students can contact that office to make their case known and give us an opportunity to review if there is some deprivation that's caused by a mechanical application of the rules so we might, if the full faculty wasn't going to be able to adapt and facilitate the problems of the student. I think that will work and we're hopeful that this political issue will go away forever. As I said I think we've been mostly the lightning rod for the other universities in this respect.

The General Assembly did not act, or acted in a negative way, by not moving a bill forward that you've been interested in and that's the Faculty Trustee Bill. It died in the Rules Committee in the Senate; this is what's happened the last four or five years. The House is interested in this legislation; the Senate is not. And I don't know if there's anything we can do one way or the other about that, but it did die again in the Senate Rules Committee.

One thing that we've observed that's interesting about this whole government process is that there has been a shift in higher education and in the larger community [End of Tape A, Side A, some words lost]. Student learning issues, their activities were directed more to research, and there was a movement, manifested in our own Indiana University Board of Trustees, but reflected even more graphically and vividly in the larger political community that faculty should [some words missing, tape problems] with research. In response to that perhaps, Indiana University has done a lot to focus on student learning in the last dozen years. I think we not only keep score better on our ourselves to measure student learning and outcomes—graduate rates, retention rates, that sort of thing—but I think also internally you can see lots of reflections of this in the promotion and tenure files that we see university wide, there is a lot more attention to student learning and teaching when people are going up for tenure it's based at least in part on their success in working with students and cultivating optimal conditions for student learning. And in terms of the recognitions that we get, maybe it's in part because there are more recognitions of this kind reflecting a national move about an emphasis on teaching, but we won some really terrific awards. Indiana University, all campuses, have won lots of recognitions. This year, as most of you probably know, the Hesburgh Award went to Indiana University Bloomington, a coveted national award with a cash stipend associated with it and this is all in respect to undergraduate learning and it was richly deserved by the people on that whole campus for the excellent work that's been done.

At the same time, and maybe because of these efforts, in the larger community now you hear a lot more about research. I think it's much more deeply engrained in the public mind that the

successful states and regions and those that have really top notch research universities in their midst and if you look at what's happening these days in the Indiana General Assembly, not one that has been known for...in terms of research universities, there is more and more talk about how important it is to support research. That was reflected in the interest in research buildings, things like the Multidisciplinary Science Building in Bloomington or the Research III facility in Indianapolis, and other facilities across the state. There's also for the first time, I think actually I may even, a provision in the budget bill adopted both by the House and by the Senate, so this is not likely to be lost in their conference process by which they'll reconcile the House and Senate versions; there is a provision for research funding; a formula that would be driven by federal research support for campuses. This would be available to any institution, any campus in the state, but would be tied to external support through the federal government. This is the first time that there's been an explicit recognition that it is very important to encourage and support bringing federal research dollars into the state.

So, what we see is more of a convergence now of the universities and the political community are talking about the same things. And that's very promising I think for the future; and it should be because the United States, despite the recession and all the difficulties associated with war, and despite any number of challenges that are confronting the country at this point, the United States is probably as successful as any nation has ever been—our economy is stronger, our cultural influences are extraordinary, we've embraced the rule of law more than any other country...from our strong economy we've had better success on protecting the environment, we've created a specific commitment and attention to philanthropy that's different than in other countries. And we have freedom and democracy in ways that are not there in practice all around the world. In fact, I think we've led the movement to make democracy the most prevalent and dominant form of governance in the world. One hundred years ago there were no countries in the world that had a completely democratic government, including the United States. Democratic government meaning that every person of age was entitled to political vote; today about 120 countries, representing about 62% of the world's population have this type of democracy and I think that's been led by the United States and maybe more important than it's been led by the United States is the United States and all of the blessings that we have the advantage of, all of the things that we've been really successful at, are led in turn, I think it's recognized increasingly, are led in turn by higher education. The universities of the United States are the best in the world and higher education is responsible for so much of what is good in American life. All in all we've produced a really enlightened population—more and more enlightened. Higher education is deeper and broader than its ever been before. We have done a really good job of seeing to that in Indiana because we've gone from the bottom third in terms of college-going rate to the top-third in college-going rate. This breadth of advanced education has been terrific for all these reasons, but even, what may be more important and may be something that will elevate our stature as time goes by is that using this broader and greater enlightened population with good education has changed society in the sense that hierarchies have broken down and all organizations are more collegial, more collaborative, more designed so that well-educated, very knowledgeable people in all part of organizations contribute to the vision and development of policies for the institution.

We have more bodies in collegial decision making and that means maybe the world is coming back to us because what we're doing here exemplifies that kind of collegial decision-making.

Maybe people will appreciate more the particular management culture we have in higher education, or the highly educated parts of our society are turning to the sorts of things we've always done as a highly educated gathering of people. And it will help them understand more what we do. In any event, I think that we should all be proud of what we do and this is my last meeting in this role so I might just say thank you for letting me be part of this for this interim period. And that concludes my report.

ENO: Well for a budget summary that was pretty broad ranging Gerry.

[LAUGHTER]

ENO: ...a perspective that was through several decades of work on US higher education from the perspective of this university. So it was a fitting statement for you to make at the time when you're here, the last meeting in this role, but you've been in many meetings of the University Faculty Council in other roles so this is...

BEPKO: And I may come back some day.

ENO: Should we move to question and comments?

AGENDA ITEM #3: Question / Comment Period*
(President Bepko and Professors Eno and Fisher)

BEPKO: Question and answer and surprisingly Martin Spechler...

SPECHLER: With remarks about the spread of democracy, one, I think you would agree that, one part of this process of spreading democracy as Americans understand it has been our ability to educate citizens of other countries in this country. The country I study, Uzbekistan, just appointed a Foreign Minister who was educated in the United States. And many other countries have done likewise and have an educated middle-class, many of whom have studied at Indiana University and other universities in the United States. So it pains me to learn that we have put up increasing barriers and difficulties in the way of the leaders of democracy of the future from Asia, Africa, and Latin America. So I ask you to comment on what we can do to make sure that in the current environment we continue to bring the best students from abroad to study and to experience democracy, American style.

BEPKO: Well we have to break down the barriers that are being created at this time because of threats of terrorism and war and we have to make sure that we don't impede the students who are already on track and would like to come here. I think we need to work hard for Indiana University to be a leader in attracting students from other parts of the world and we ought to take that leadership position and run with it to other levels. There have already been things that have crossed my desk. Very early ideas about establishing a program for Iraqi students; we think we can raise the money to create a cadre of 100 highly qualified students from Iraq and bring them here for 3, 4, or 5 year programs leading to various kinds of degrees that would play just the kind of role that you are describing. They go back to Iraq, as we hope they would, they'll become

leaders of their country and understand American democracy. I have to say one thing though that has always haunted me about this kind of thing. Many years ago when I was a fellow at University I met some Ethiopian students and we became good friends. We had lots of contact with each other and after talking a lot about the influences that studying in the United States had on their lives they told me that the students that came to the United States, to Yale where we all were, ended up being socialists. And went back to Ethiopia and began a socialist movement. The Ethiopians that were sent to the Patrice Lumumba University in Moscow became free market people with democratic ideals. So it's not always clear that we have the right impact, or the impact that we wish on the people we bring into our midst.

SPECHLER: Well send them to my economics department. Gerry, with reference to the budget permit to ask two questions about that that came up in the Wall Street Journal article of about a week ago which talked about this very issue, the declining state support for higher education across the country. One thing that was brought up in the article, which I'm sure you've read, is the idea that many universities are now adopting a variable rate tuition policy at the undergraduate level. Now Indiana University charges different tuition for different professional and masters' degrees and I believe that the Kelley School of Business now charges, de facto, higher tuition for its undergraduate degrees in light of the high cost of those degrees and the reputation that school has. I wonder if we have considered or would consider a variable, a differentiated rate policy at the undergraduate level in order to make less expensive programs more available and in order to fund the more expensive programs such as Individualized instruction in the School of Music.

BEPKO: Or engineering...

SPECHLER: For example.

BEPKO: Yes. When I mentioned that we're going to have to be better at generating private resources I mentioned optimal tuition rates and included in that expression in my mind is some variability. I think that as far as Indiana University is concerned, the Trustees have been unwilling to make a leap into true variability; it's been done as it has been in the Kelley School of Business by way of a special fee for certain upper-division studies. It wouldn't surprise me to see more of that. I think that's where we'll have to go if we are truly going to set rates at optimal levels.

SPECHLER: Well, I'd like to see this Council or the appropriate research arm investigate how this is done elsewhere and to see whether there aren't some hidden disadvantages, as well as perhaps advantages, to doing this and the universities with the wide variety of programs that we have here.

BEPKO: I was going to say that I think that we're a ways from that—I don't think the Trustees are ready to look at true variability but...you identified the School of Music, of course the School of Music has its own special clientele. People come here to study music at the undergraduate level. Very few students come to Indiana University and enroll as an undergraduate student and then in the middle of their second year and say gee I'd like to be a music major and go and study flute. That doesn't happen because it is a self-contained market; it

may be possible to think about variable rates, but I think it's a long way off and there would have to be a lot of studies first before the Trustees would ever take such a step.

I think that you can see though, already, the trends nationally. We're not in proportion of those trends, we're in the middle maybe, a little behind the middle, of running public university tuition rates flow higher toward the market. The increase in tuition for first-year entering students, at the undergraduate level, this year, is an example of that.

ENO: I have a couple of comments to make, just quickly in response to Martin in your first comment. I want to draw everybody's attention to a piece of Agenda Committee business that I forgot concerning international students. Last meeting we had Martin asked the question about whether or not various federal regulations were having an impact on our international student population and Gerry followed up by asking Chris Spears, who is the Associate Dean for International Students, to give us information on that. And he prepared a memo for you that is on your desk. It's not a discussion item today, it's an information item.

FEMALE SPEAKER: My agenda is missing a few pages.

ENO: We'll get those pages off to you. My apologies. All of the important information is here, I noticed it's starts with Our Response. We'll get those pages to you. The other item, Martin, is just the comment having to do with admission to different programs, has a relationship with the fact that most of our students are not direct-admits into their schools. And it would be the issue of whether or not we are going to be a direct-admit university or whether we're going to be a university that focuses on pooling undergraduates in the University College or the University Division. It's a very important academic issue as well as deeply entangled issue which is why this is so special at the upper-levels. It's one way of solving that problem without having to confront that issue. It's a great academic issue for us to address.

SPECHLER: I have one other comment. A week ago, you may have noticed, many of us paid our income tax.

FISHER: oh, we did those?

SPECHLER: Yeah, we had a meeting about it Mary. And, most of you know that Indiana allows \$200 for people filing separately and \$400 tax credit for people who file jointly. That amount has been fixed for many, many years and yet the cost of living, general price level, has been rising all the time. Accordingly the real value to us of the money raised through this tax credit has been declining over the years. I wonder whether we could raise with the Finance Committee in the General Assembly the possibility of raising that amount, say to \$300 and \$600 in accord with the increase in inflation over those years. We would undoubtedly net more income through the Foundation if we did that.

BEPKO: I would guess that since that's been at \$250 and \$400 for as long as I can remember, it's 30 years anyway, inflation adjustments would make it a lot more than \$300 and \$600. We'll find out. I'll find out if you'd like.

**AGENDA ITEM #5: Auxiliary Systems Management Responses to Administrative Services
Review
(Vice President Judith Palmer; Ms. Kathleen McNeely, Managing Director,
Financial Services)**

BEPKO: Ok, we'll go to Kathleen McNeely will make the report on Auxiliary Systems Management Responses to Administrative Review. Judy's not here.

ENO: Since Judy isn't here let me very briefly give you a bit of background on why we asked Kathleen to come all the way down here to give this report. Most of you will remember that the University in its wisdom hired Arthur Anderson, the consulting firm, to review the way we do our administrative services looking for efficiency, looking for cost-savings, and cost-avoidance a few years ago. This was a major issue all of us knew about at the time. However, we haven't been able to, we haven't been tracking the follow up. Arthur Anderson issued a report and a variety of recommendations and the faculty really haven't been concerned about what's been going on because it's been a highly, at the operational level, because nothing spectacular as the university administration tried to figure out a way that it could operationalize those recommendations. At the last Trustees meeting, Kathleen prepared a report for the Trustees which detailed exactly what the university's been doing in the area of trying to bring new principles of management to its auxiliary operations. Those businesses that are auxiliary for the university that we expect to break even; things such as the athletics are coming to mind but that's not in your discussion...the bookstore, the dormitories, things of that nature. I thought this report Kathleen made was very impressive in giving us an idea of just how central administration can be palms off with financial operations in going about doing this and I thought it would be good to share with the Faculty Council. It clearly indicates that the Arthur Anderson report is having an impact on the way we do business. So with that introduction, Kathleen.

MCNEELY: Like Mark, I use PowerPoint, it helps me organize my thoughts—as well as I can organize them. I'm also at a point that I don't have a wireless so I'm tied to this computer. I think Bob gave you a little bit of introduction of the scope of this but I'm going to give you a little bit more of an idea. This does cover all of the auxiliary and service units for the University, on all seven campuses. Those auxiliaries, there are well over 70 of them, they bring in over 400 million in revenue each year. And so they are very material to the institution and hence one of the reasons why the Board of Trustees has paid a lot of attention to where we're at with this project and how we're advancing with the recommendations made, not only by Arthur Anderson several years ago, but by a secondary firm we brought in from Indianapolis Governmental Strategy Initiative to kind of help us focus a little bit more on how we needed to bring our auxiliaries to a different way of thinking for those that might have needed that assistance.

Both of the consulting firms identified several areas of improvement that they thought would add value for our auxiliaries. They wanted to identify ways to encourage financial and operational performance. And they underscored both of these because there was a fear with the non-academic review that what that was about was money and finding dollars to reallocate to other initiatives. And one of the things that the consultants advised us on was that we also needed to pay attention to operational performance; it wasn't just about the bottom line it was how do we

go about doing our business. Are we effective in making money in those areas where we should make money? And Bob mentioned those—we have 7 bookstores, we have 7 parking operations, we have one of the largest halls of residence systems in the country. And so those were the areas where we had our focus.

They also wanted to ensure that we had appropriate levels of fund balance—accounts receivable, cash, and inventory. So there was an emphasis on the balance sheets for each of these institutions or these units. Do we have enough fund balance for the halls of residence system which is a very high capital area? Do we have enough money, and do we have enough prospective revenue coming in to help us maintain those facilities to a standard that our students would want to live in? Likewise with the bookstore; do we have enough money to maintain the facilities? Do we have enough cash to bring in the level of inventory at the beginning of each semester that are going to meet the needs of the faculty?

They also wanted us to make sure that the allocation or the fund balance was appropriate. Fund balance, for those of us, I think most of us know we've been in higher ed long enough, but fund balance is basically our assets less our liabilities—those available dollars we have to invest back into our institution. In some cases, with our auxiliaries being high capital, you need to have enough fund balance on hand, enough reserves, so that you have funds available to put back into capital. For parking, if we have a special event there, which we have, does there need to be work on our lots? And are those funds available to be put back in those? And so there was a little bit of an emphasis on that, not just that we have operating cash but that we have funds set aside to replace our capital funds, set aside to replace equipment, those kind of initiatives.

And it was identified, and this is probably one of my biggest goals with this initiative, is that we get a need to enhance communication across the university. Between not only the auxiliaries, but between the campuses, the university administration, and the Board of Trustees. Our auxiliaries report up through the campuses, which is entirely appropriate for how Indiana University is organized, and then the Vice President and CFOs area is in University Administration with the President. And so there's always the ability for there to become a disconnect in communication. What are the goals for our bookstore on each campus? Does the Vice President and Chief Financial Officer understand those goals and how they fit the financial structure; and are those in alignment with goals that have been established by the President and the Board of Trustees. And so one of the things we wanted was to develop a mechanism to be able to share across the university on how our auxiliaries were performing, both financially and operationally.

Any questions on any of this? Interrupt me...the Board interrupted me throughout the entire presentation. Other goals identified was the need to create specific performance measures by the auxiliaries. So culturally we're a very old institution and our auxiliaries themselves are very old institutions that are used to performing a certain way. And so there was a renewed emphasis on looking at specific performance measures and helping those auxiliaries identify those. They wanted us to work on the budget process. For-profit type entities tend to look at the bottom-line more than they deal with the budget. But the budget is a really good internal control structure to make sure you don't overspend in certain areas. And so there was an emphasis on us helping the auxiliaries kind of rejuvenate the budget process. They wanted us to create and implement a summary reporting mechanism that again would enhance communication on how we're doing.

And we have actually completed this one.

We wanted to develop high level strategic and specific goals for each auxiliary. And so we are with each auxiliary sitting down extensively and identifying what the mission is, actually writing a mission statement for each of our auxiliaries and helping them identify specific goals for the short term, which I would say is anywhere from 3-5 years that they want to achieve and then put them in a position to help them move those goals as time goes on—to enhance the goals and as they achieve other goals identify what new goals they might have.

And then finally, we were tasked to create an auxiliary senior executive team which we have done and which meets about every four to six weeks depending on the agenda that we have. We do reviews of the quarterly financial statements of every auxiliary and service unit for Indiana University. We talk about who's in trouble, who's down, how they're down compared to how they were doing a year ago. And we talk about the implications if one bookstore is down and six are up then you, then we don't have a trend there. So we talk about what we can do to help that one bookstore possibly move along. There are those kinds of discussions occurring. Discussions, I can honestly say, did not occur two years ago at the institution.

And so the current status of this project is that we've now identified an implementation plan. We, the ASAP group that I discussed meets on a regular basis and is made up of senior campus administrators, university administration, administrators like myself, and we have some of our larger directors of our auxiliary units. Mark Kuchefski on the Bloomington campus, John Short at IUPUI, and a number of the auxiliaries is on that committee. And so there's a mix of administrators that are broad-level focused as well as our hands on directors of these auxiliaries that are dealing with the day to day issues.

We have completed three quarterly reviews of the financial statements and at the end of the fiscal year, that June 30th review, we presented the CFO with a listing of areas of concern that we had that maybe she would want to pay particular attention and possibly speak to the Chancellor of the campus about. We've identified the balanced score card, which is a business tool to use.

MALE SPEAKER: Are you going to tell us what those areas of concern are?

MCNEELY: For the quarterly review, I can't specifically remember them. I mean I'll give you an idea. 9/11 really hurt our conference type auxiliaries. The IUPUI Conference Center was down. They not only had fewer people traveling for those conferences; they had conferences that were cancelled. The IMU in Bloomington had the same problem where conferences get cancelled, room occupancy was down for the IMU, and so those were two specific auxiliaries that took a significant hit for our 2002 fiscal year. And so we highlighted that and indicated that we wanted to watch, as the whole country was watching the travel, what's happening with travel, Indiana University has a specific interest in this because of a couple of our auxiliaries.

We had one bookstore, I'm not going to name it, that was a little low on cash and so we indicated concentration on that. We asked the Director to actually give us a report on what their plan was to bring that cash balance up. And I'm happy to say that nine months later they've achieved their

goals. And so it's that kind of interaction and feedback that we gave the CFO that has allowed us to concentrate on the specific areas.

MALE SPEAKER: The Athletic Departments are not auxiliaries?

MCNEELY: The Athletic Department is an auxiliary. For now, he has not included them in this specific project. We actually meet with auxiliary, the Athletic Department separately, on a quarterly basis to review their financial statements. We actually have that review tomorrow. And we're following their progress finding out how we can help. Just making sure the balance sheet and the income statement are accurate from an accounting perspective so as that's discussed we all have a level of assurance. So that is actually an active, ongoing project. And we've separated it because of the issues and the concentration that we have. They do plan on actually to become a part of this project. They discussed that they would probably be ready in about 12 months. Which actually we'll still have other auxiliaries doing this so in essence they will be a part of it.

So we identified this balanced score card initiative. A lot of what that tool will do will help us implement many of the goals. We've trained 30 individuals; we've tried to make this collaborative. So this is not University Administration telling our auxiliaries what's best for them. We've included campus administrators, we've included auxiliary staff, and we've trained them on what balanced score card is about. And we're developing, we're using the current FIS system to create a couple of e-docs to help them with non-financial data. And we have started the process with nine of our auxiliary units, and I've listed the nine. A high concentration of Bloomington and South Bend right, but we're about to start a couple of fairly large IUPUI initiatives. We wanted kind of a mix of large, small, medium, regional campus, large campus initiatives. We're very fall along on Bradford Woods and RPS. RPS is our largest auxiliary, they have approximately 70 million a year in revenues. And it's going very well.

ENO: I might add that when the report was given to the Trustees Bruce Jacobs who heads the RPS gave a detailed description about the changes that have been made.

MCNEELY: Yeah, he did.

MALE SPEAKER: What is RPS, for those of us who don't know?

MCNEELY: It's the Residential Programs and Services, Halls of Residence, in Bloomington. It's one of those names that changes every three or four years and you can never remember what the acronyms are. What the balanced score card does is it tries to take strategy and it converts it into an integrated system from a business perspective. So it makes a unit take a look at their whole operation, it makes them look at their financial interests and how they are doing financially. It makes them to pay attention to their customer. We force them to say who is your customer? Bookstore will list that they have two primary customers, faculty and students, and in that order, faculty and students. When you make them think about who their customer is it helps them define what their objectives are going to be. We take a detailed look at their internal processes where those could be made more efficient. We talk about learning and growth, they need to be a learning and growth unit. The staff have to be grown, they have to develop, things

can't become stagnant and so we talk about learning and growth. And we talk about the campus and the role that auxiliary has with the campus. And those are the things we've been focusing on.

So again, it's basically a framework on how an organization translates strategy into objectives and then it helps them measure how they're doing. And so I have, you were given a spreadsheet draft, and basically this is going to be the product I talk about for each auxiliary. Each auxiliary will go through this process of identifying their mission statement and their strategic theme. And then they're going to identify strategic objectives. Each of these graphs is representative of a strategic objective. And so this is not actual data but to be honest this is a bookstore. And so each of these is an objective that we're measuring. We don't have a target, our goal is to define a target. Where do they want to be within that objective. So if you look at the very top line of the graph on the left-hand side. The objective is to meet the annual 5% growth, sales growth budget. And so that's the goal of this objective. You can see they're measuring a bunch of things; you can look at how they are doing with their sales on a quarterly basis, their contribution margin and where they're doing compared to the average.

One of the things that the Board has asked us to focus on is the industries these auxiliaries work in. There are industry data out there that says how a bookstore should be doing. So Indiana University shouldn't say that they're so different that they can't use those industry averages; and so where you find industry averages to help measure, we're going to. One of my favorites is in the middle column, the right-hand side, is to offer improved services and products. It's net sales per student FTE. The industry average says that we should be at a little over \$600 per student. So each student should spend a little over \$600 at our bookstore. And, this again is not indicative, but this could show where in 2001 this bookstore is only at \$300, far below the industry.

MALE SPEAKER: Objections come to mind very immediately on that. The local environment, I mean, a bookstore in Indianapolis wouldn't be expected to have sales as a bookstore in a small, rural town like the one in Northwest here because students can have choices. So the whole, unless you factor in some things like that, you're holding people accountable for things they have no control over.

MCNEELY: One of the things, and thank you for bringing that up. One of the things we've discussed is that the industry goal isn't necessarily the right goal for a specific unit. The IUPUI Bookstore is in a fervent environment; I could say more competition, although Bloomington has a lot of competition. I would say our regionals are a little bit luckier in that, in that it's kind of secluded. You need a pencil? You walk into that bookstore and get a pencil—if you're at Northwest or South Bend. You know in Bloomington, two blocks away you can go to TIS and so we're looking at that and for each bookstore what is—well first of all each bookstore might not have this objective—that's one of the things we're pushing. Each auxiliary will have individual objectives based on what they need to achieve so it doesn't mean that all of our bookstores are going to have the same objective. I would think some of them are going to be similar but they're going to have some that are dissimilar. But on this one, you could say that because it's Bloomington where there's more competition that we would only expect them to get 75% of the industry average—that could be the goal. More than an acceptable goal if everybody agrees to it, the campus, the director of the auxiliary. And so thank you, that's exactly right. So these

comparisons and measurements are going to have to be aggressive to challenge people but reasonable.

MALE SPEAKER: Can you get data, instead of industry average, can you get pure institution data, is that available?

MCNEELY: It is for some. It will depend. It's with anything else, some of our auxiliaries, parking is an example, where we'll be able to get really good comparative data, even say within the Big 10. We could do it that way. And so we will do something like that. But if we have something that's a little different, you know a print shop—not everybody has a print shop—then we probably will have to look at more of an industry standard.

SPECHLER: One thing that's noticeable to me anyway that's missing here is a target for profit of an auxiliary. Now I realize that there are problems with imposing certain costs on auxiliaries that may not be paying them. For instance, utilities and space and so on. But wouldn't it make sense to have auxiliaries to have a profit target?

MCNEELY: What we've done is we've left that up to each campus and you'd be surprised at the difference. Different Chancellor's have different perspectives on that. I think if the customer is primarily the student than the profit motive isn't as high than if the customer is just the general public. Athletics can charge a little bit more for tickets; but when you look at your books and the sales of your books, both new and used at your bookstore, there's a little bit of a push to make those books affordable for our students. And so in some instances there is more of a profit motive than there is in others.

SPECHLER: I can understand that we'd like to subsidize everything at Indiana University. But shouldn't there still be a target? Because after all if you subsidize it you have negative profit. Somebody has to pay. And surely the chancellor's ought to know that whatever their motives and their attitudes are towards profit their bookstore is costing them \$100,000 a year.

MCNEELY: Well I can tell you that few of our auxiliaries receive what I would call a subsidy, which is a formal agreement by the campus to give them cash so they can undercharge. Bookstores are a good example. None of our bookstores receive a subsidy; if they lose money for a period it comes out of their reserves. And if for some reason they fall below zero on cash we charge them interest. And so you're right, the profit motive is there. I'm just saying that it's managed in what we have basically worked this process at IU is to say that this is an individual campus philosophy. Now if we had a campus that said we're going to subsidize a million dollars for auxiliaries—we don't have that. We don't have huge subsidies overall. Most of our auxiliaries are making a profit. Not a large profit, but a reasonable profit. And some of those auxiliaries, and the bookstore is a perfect example, actually have cash taken away from them on a regular basis by the chancellor to allocate to academic initiatives, and we see that as well.

SPECHLER: Well, whatever the motive is, it still seems to me, that for information we ought to know whether an auxiliary is making money or not making money.

MCNEELY: We do know that.

SPECHLER: It's not here.

MCNEELY: Well, this is a high level review of objectives. This does not replace an income statement and a balance sheet. As we count, and I have to tell you, this will never replace an income statement and a balance sheet with me. There are people at this institution that have a responsibility, primarily our Vice Chancellors at each of our campuses, that have a responsibility to make sure these auxiliaries are operating at the level that they want them to operate financially.

[End of Tape 1, Side B; some words lost]

BEPKO: ...new equipment and the Chancellor says, "you may need new equipment but I need more money." The auxiliaries are going to lose that argument. In addition, there are subtle, indirect ways that a profit could be realized by the academic community and only the chancellor's and deans know about that.

SPECHLER: Well, don't tell us.

MCNEELY: I think it's a good process and it's working well. It's hard for me, these are campus auxiliaries and we respect that and our goal is to provide the tools to help them manage what they are doing.

ENO: I just have to let you know that we are falling behind of our schedule. This is not directed at you and your invitation for questions, but we're going to have to keep moving.

MCNEELY: So what makes a good score card? Executive involvement. We have had really good support on this. The Finance and Audit Committee of the Board of Trustees is very interested in this. The President has been very supportive. This is the CFO's initiative and she's been very supportive. You do have to identify cause and effect relationships; we don't want to cause any damage here and so this is a very well thought out process. We are looking at performance drivers; this is linked to financial and campus goals and that's what we've been talking about. Different campuses have different goals; the chancellor on the East campus does not want to make money on his bookstores. That is his decision and so we work within those campus goals. And this is a change initiative; I thought that at first because I thought the auxiliaries would buy in, but that basically this was an initiative to make the auxiliaries think about the way they are doing business and to implement change if change is necessary. So the process is pretty complex, we're spending a lot of time with each auxiliary. I have 3.5 staff doing this. We're doing all of these things that we've talked about that include campus approval and overall we'll take 10-12 weeks per auxiliary. I think I showed you 9, I think we're up to 12 auxiliaries that are going right now. And overall we think it's going to take about 18 months to finish all our work on it.

Current discussion items, we're having how many of these objectives should we have? It's hard. Too many and you've diluted the whole process to a point where it's not adding value. Too high and nobody knows what's going on. And so that's a challenge. We are trying to achieve a

balance between financial and operational. There is no mandated common industry objective. I wanted to make that clear to the Board of Trustees. Not every auxiliary, not every bookstore will have all 8 same objectives because it does not allow enough individuality for what we require. We are doing balance sheet review which gets back to the importance of the balance sheet and the income statement. They have to be accurate. What's gone on in the accounting industry in the last 18 months has emphasized that importance and I take that pretty personally. We're looking for the mix of collaboration; is the mix correct? It has to be correct, this cannot be mandated by the campus, and the auxiliaries have to be a part of this process. And then as I challenged the Trustees...are we on the right track? We think we are so far, but as with any project it's early.

ENO: OK, Kathy. I have three points that I took away from this which is the reason I asked Kathleen to come down to do this. One point was that the Arthur Anderson report really was generating considerable activity in reassessing the way that we do business and try to find greater efficiencies. The second was the way that this was being readdressed was not simply in terms of bottom-line goals but in terms of the development of each of the auxiliaries were assessed; each of the units so that they had business operations that they could control in the future and that they could use those operations. And that the third is that these goals are developed according to campus needs and that campuses have the impact on what the mission of the auxiliaries should be so that the mission of the auxiliaries fits the mission of the campuses. One of the things I was concerned about with the Arthur Anderson initiative was that we would have a very highly centralized process of trying to make all of our campuses conform to a single model of business operation. And the faculty realized that the conflicts with academic missions on their home campuses. So the main point that I took away from this was that it looked like this was a very intelligent approach to restructure and retrain our auxiliary staff so that they better fit with our mission and that the missions were defined in terms of individual campus goals and profiling each campus.

**Agenda Item #: Annual Affirmative Action Report
(Ms. Julie Knost, Director, Office of Affirmative Action)**

BEPKO: Next is the annual affirmative action report by Julie Knost.

KNOST: I'm going to pass the reports around, I also have a campus report and I've changed the format this year a bit in that I've done the University Affirmative Action Report and then I've also provided each campus a report and I didn't copy each campus report for everyone because that would have been volumes of reports. I have them sorted by campus and will make them available at the end.

In the annual Affirmative Action Report, the last few pages, I did a summary by campus breakdown on some general categories. So, let me start by first of all allowing me to come, it's always interesting to talk. As you know on every campus there's an affirmative action officer and most of you, in your individual faculty councils, would have received an annual affirmative action plan from your campus officers. This report, I tried to...I'm in an enviable position getting to work at different offices, so I get to look at the broad picture and the broad trends and I get to look at the big questions along with looking at my specific campus, which is the Bloomington campus, and then also working with the other officers.

A couple of qualifiers on what I've passed around. One is that it does not include, and I see that the two faculty people from Fort Wayne left so they know, it does not include the Fort Wayne data. And the reason for that is that campus is administered through Purdue and Purdue produces the report. And if you look at the student data it also usually does not include the Fort Wayne so I do not have the Fort Wayne data included in this report. The second thing is that you always need to know is that when you're looking at any data that looks at faculty composition that it is data current as of October 1 of the previous year. So this data is current as of October 1, 2002. And the reason for that is that all data that is compiled for all federal purposes for both students and faculty are done as of a specific date so that we can compare across the years. And since October 1st has been already set by the Feds as being a good date because usually we've hired the majority of our faculty at that time and there won't be a great deal of turnover again until the following year. And we allow that lag time because there is enough adjustment time before the 1st of October.

Although the title doesn't include student data what happened is I had a very busy week last week and ended up coming in and putting a lot more student data. The student data is very complex data at the university level. I'd like to include enrollment data but it didn't strike me as particularly useful. What I'd like to do, so I ended up not including student data. What I'd like to do is mention to you an offer to come back next semester in the fall with Charlie Nelms who is Vice President of Student Support and Diversity and we can talk about the student enrollment data and also graduation and retention rates and I think that would be a more productive discussion.

Going to the data that I brought today to discuss a few trends. Something else new that I did this year was that I decided to give you change data and that is longitudinal change because frequency discusses what's the current picture but we're beginning to have enough data. Affirmative action reports were not done consistently until the last 9 years, we're almost at a 10 year threshold and even there the data were somewhat mixed for getting...I would say one of the positive things for PeopleSoft is that we're going to have even better data after PeopleSoft. But our ability to collect data is much better. So now I can give you up to five years, sometimes up to 9 year trends. And so what you're looking at on page 1 is percent change data for faculty. And this is only tenure-track faculty. If you look a couple pages back you'll see the librarians are separated out and a couple more pages back are the non-tenure track faculty. So, just progressively as I move my way through what I'm showing you here I want to start by saying that as you may know and certainly probably sense and maybe feel in your own department, the number of faculty are decreasing in general, at all campuses. The tenure-track faculty have shrunk and that affects the percentage of minority faculty; although for example African American faculty have remained fairly flat or unchanged in the numbers as a percent of the total faculty they've actually had an increase and so we see a slight increase in that category and in the minority category you would also see those increases—so it's relative to total faculty.

The other thing that I want to say about that as a highlight to direct your eye in a certain place is that the distribution of faculty has changed and especially within the ranks. And again looking at African American faculty if you look at the distribution what you see is very little change at the Full Professor rank and better change at the Associate Professor ranks. What I would like to do is

not just tell you numbers but to give you some dynamics of what's going on. Our tenure rates are pretty good to excellent for minority faculty. We are losing faculty through retirement and we have a very difficult time hiring minority faculty at the senior rank that is entitled professorship or full professorship. So that is going to affect their distribution that's showing up here. It's certainly is something that we hope changes. The retirement in particular looks to be sort of an overflow and that is that we had very good hiring of, especially African American faculty, in a certain period of time around the 1970s and that is sort of flowing through right now and we're having higher rates of retirement. And then we had a drop and then we had an increase again in the late 1980s early 1990s and so I think there's some balancing out going on there.

In regards to the sort of distribution within the faculty we've had, we're having increasing success also in hiring Hispanic faculty and it was an area that we had not paid as close attention to in previous years and our recruitment efforts have made a difference there. You're going to look, if you look at the across-campus distributions, you're also going to see differences in the minority faculty. The Bloomington faculty has actually increased its rank in terms of its minority representation and in particular its African American representation is now 3rd in the CIC behind Michigan and Michigan State. So it has actually been quite successful or at least has improved, it's hard to use the word success in this context, but has improved. And IUPUI, relative to other urban campuses like University of Wisconsin-Milwaukee also has had some success. And one of the things that we have to think about is that we are a little bit different than many of our comparable systems or university systems. You have to remember, we have our engineering is split into Purdue and that greatly affects recruitment. And the second thing is the distribution of our Medical Sciences at Indianapolis and then the Liberal Arts and other schools in Bloomington affects our total numbers that kind of changes our position relative, again you can think of Penn State, Michigan, and most of the Big 10 institutions.

A word about our gender. We're about the same as most places, about 1/3 of our faculty are now female and it has increased fairly steadily. Distribution has increased too and that is that we're seeing women tenured and also promoted. There are still serious differences in promotion, a big gender issue—and that is it's taking women much longer to be, in particular, promoted from, their tenure rates are set by a clock so that's not so determinate, but the promotion ranks from associate to full are longer for women. And it's clearly the area that we need to pay attention to and are paying attention to.

Librarians, the composition has not changed a lot. It's still mostly white, mostly female, although again there are increases in the minority representation there. The non-tenure track faculty, this is in effect of decisions that were made by this body and by your other faculty councils. We can now provide you a breakdown of the non-tenure track faculty by distribution with lecturers and clinical professors. And what you're going to see here is fairly large increases in that faculty and I want to say a couple caveats about that because I know people are concerned about the increase in non-tenure track faculty. Number 1: these count as changed for accounting reasons and that is that they were counted as non-tenure track faculty in one group and on some of the campuses, who's here from South Bend, you even call them something different. Or they call them Associate Faculty, anyone the counts are not very clean. One of the things that has happened with cleaning up the titles and the ranks is we have more accurate data to actually show; these are only full-time people that are primarily in full-time instructional positions. The other thing

that's happened is that choices were made to convert part-time positions into full-time positions—that's been a mandate now for about 2 years—so that on some of the campuses where you would have two part-time positions these are now consolidated into 1 full-time position. So that's where you're seeing some increases.

The distribution on women and men is interesting because across the country the non-tenure track faculty tend to be heavily dominated by women, about 80%. We see not to be having a lot of trend in that direction at this point although if you see the differentiation between lecturers and clinical ranks there's some gender distribution there. On the distribution for minority faculty I have two things to say. One is that we are within that range in some representation which is good. The other thing is that I see this as a positive thing overall and that is one of the things we're affected by, like everyone else, is market forces and although, especially in clinical ranks in non-medical areas, we had opportunities to hire out of business people into, especially minority faculty, that in the 1980s and 1990s would have been attracted into business and therefore have had careers, and aren't interested necessarily in doing research—they've been in careers, they don't want to come in and be a tenure-track faculty—but we've been able to recruit them in positions in the business school where their contact with the students and what they have to contribute in terms of their expertise provides a particular type of experience to students in the classroom and also increases our diversity. So I think that I'm adding a caveat there about why there are both pros and cons to that within the rank.

The staff. We have a lot of staff. We have a staff that are very essential to the operation and again, I think that we need to remember that staff tend not to be, we have very large staff units where it is only staff but we also have a fairly large staff that's in academic units that have direct contact with students and with faculty. So the minority composition with staff is another very important thing for us to look at. Staff present different challenges in different regions. The higher you go the more you're looking at being able to attract people nationally. The lower you go you're looking at very regional workforce and so the composition of the place where the campus is will determine who hire basically. I want to say a couple things about staff. One is that I have broken this down by percent changes and by distribution by rank. The executive category includes, although some staff, it also includes academic administrators. And that again because for accounting purposes across the board, things like the Department of Higher Education and other places, they want to know how heavily the weight is of the executives and some places in particular, a chancellor will always be an academic position but a vice president of administration might be an academic position, it might be someone holding faculty rank it might not and it varies by campus. So that does include both faculty and executives. Our distribution in the executive ranks for minorities is not too bad and we've increased. It needs to continue to increase and I can also tell you that the distribution is better within the academic ranks than with the non-academic ranks. Men and women in the executive category—we are not well represented in terms of women compared to other organizations. In most organizations it's about 50/50. As you move down the ranks, the professional ranks, this is not separated out but I'll tell you very simply that if you look at distribution of the professional ranks and that would mean the professional ranks about 16 or 17 classification. It's pretty much an s-curve and that is, by gender, the higher you go the fewer women there are, and that's true on most of the campuses. And in terms of ethnic representation the same is true. And then everything else is pretty predictable by everything we know and that is the clerical ranks are going to be mostly white,

mostly female. And the technical ranks, those represent people in places like the Cyclotron and the Medical Sciences areas, the skilled craft is referring to your old union trade organizations, and service maintenance is the janitorial and food services workers and I'll let you ask questions about those in a little bit.

I don't want to spend a lot of time going over these numbers you can read them. Let me talk about new trends for this year. One is that the changing diversity increases our opportunity for having a more diverse faculty and what I mean by that is that it supports more interdisciplinary and inter-campus hires helps open opportunities for us to hire a more diverse faculty. I can see that within the type of offers that are going out we are seeing many more cross appointments and that is people have one primary tenure home that's always the case, but are having both teaching responsibilities or teaching and research responsibilities in more than one department. And that's been to increase with the biomedical sort of appointments. Also, you see a heavily in the arts and in the area studies types of categories, and also in English literature and linguistics where we're doing more appointments between maybe psychology and linguistics, sort of a variety. All of these interdisciplinary aspects have increased diversity and increased our opportunities for diversity.

The other thing I wanted to mention here because I'm getting a lot more questions from all campuses about dual career hiring. And one of the things that you need to be talking about on your faculty is generally to remain competitive dual career hires are very important. You don't have to open too many Chronicles for higher education or anything that's talking about work and it comes up as an issue. What's coming up as an issue on some campuses is what you do when you're hiring a spouse, does this count as an open search or not? I can tell you what, on the Bloomington campus, we have a specific waiver system that allows for us to basically add a position to accommodate a spousal hire—we do not always do it. It has to be arranged through the department; we do now have a funding source through the chancellor's office that allows us the opportunity to hire. And there has to be a need. Often these are lecturers rather than tenured faculty appointments. And usually financially we have climbing enrollments so you're balancing out. But I'm getting a lot of questions from the campuses because some campuses are very uncomfortable about this, they're very uncomfortable about this being an add-on hire.

The other thing I wanted to spend a few minutes on and then I can come back to any questions about the data is probably the most important thing going on in affirmative action right now is the Michigan case. And I wanted to spend just a few minutes, I'm not going to talk about the case extensively, but I wanted to spend a few minutes about the impact on Indiana University. The Michigan case has now gone to oral arguments in the Supreme Court; we'll probably have a decision around the summer. Indiana University did file an amicus brief, they were one of the few public institutions that did file an individual brief, and the brief itself almost exclusively addressed law school admissions. Part of the reason for that is that the Michigan case is really about institutions that are highly selective and that includes the professional schools; it includes the undergraduate admissions in Michigan because they are highly selective or a more highly selective school on the undergraduate side.

At Indiana University, our programs that do take race into account are the law school, the MBA program, and some other programs that have a small set number of people can get in relative to

the people applying. On the undergraduate side we do not take race into account. That is, while we don't have open admissions, it's not virtually anybody that applies gets in, the criteria that we set are set by the scores or having to meet the Core 40 requirement through the state. And we're not looking at applications individually; while there are cutoffs, but we're not looking at the same way and we're not taking race into account as one of the factors so it's not coming up in our undergraduate admissions. It is coming up in some other programs and in fact Indiana University has been targeted now by some of the conservative groups to attack some of the programs that are geared for minority recruitment. These are primarily financial aid and mentoring programs. At the Med School there is a minority program for recruitment of high school students; Cancer Research Program provides summer assistance and bringing students in to learn about research and then it does provide a financial aid component. That program specifically has been targeted for us to review currently the status and we said we'll look at it and see where it goes. Another one that was targeted was the Project Teen grant which was a grant from the School of Education to recruit minority students to teach in urban and multicultural settings. It was turned down by the Department of Education because the criteria originally was only focused on African Americans and Hispanics students. They rejected the grant. We rewrote the grant and had to open it up more broadly. The MAPS programs, the Minority Achievers Program and the Minorities in Science Program—these are programs that also are going to be under very strict scrutiny.

I'll be real frank with you, we've been flying under the radar. We're Indiana University, we haven't been Michigan and we haven't been heavily targeted and we now are on the list. And it's very, very troubling. It's very troubling for me to walk into Dan Dalton's office a couple weeks ago and say the MBA program could be drastically affected by this and he knows it and I know it and the fact is that there aren't necessarily proxies for race. And I'll use the MBA program as one. The MBA program in Bloomington, these are most of these students are emancipated and have worked and many are coming from middle class families so you're not going to substitute socio-economic status as an indicator. You are going to have big problems in enrollment with especially African American students if nothing, with regard to race can be taken into account. So that's the bad news. And we're waiting to see what's going to happen. My optimistic prediction is that we will be able to continue to take race into account as one factor. The question will be how we will weight it. The alternatives are things that will have profound impact on faculty decision-making because the alternatives are things like should we eliminate standardized testing? How do we evaluate merit? How do we predict success? Again, at the most selective levels, most of the students getting in are going to be successful, they are already, we're talking about very successful students competing against other very successful students so it's a question of who's getting in. As you move down to undergraduate admissions the issues are very different, there are much more public access to education and supporting people financially so that access is available and the issues are more difficult because we're managing very large numbers in terms of sorting. Indiana University is probably never going to go to a system where they will interview every student they're admitting. So the issues are very complex and the answers aren't easy. And that's the end of my report. Very optimistic.

BEPKO: There are really two tracks, or two groups of cases are there not. One is the program where high school students take it in the summer like Teen

KNOST: Those are minority achiever programs

BEPKO: Those are strictly for minority students and those are more vulnerable but they're not the subject of the Michigan case.

KNOST: No that's right. The Michigan case really is as a plus factor, so they are allowing other students in as well it's just that race is one factor during the application process. We do have minority only programs.

BEPKO: But the minority only programs are going to be under more pressure although we have the choice of what to do we can either acknowledge that these programs are going to be challenged and change them to make them not as conspicuously minority only, or we could say we're going to wait and do it until a court says to stop and we will. With respect to the fact that we're going to have to make judgments about those things, how great is the risk, what is the liability, will we have to pay civil penalties or something like that? With respect to admissions though, we're not likely to get a ruling from the Supreme Court that will directly address what we do. We do, in a couple places it's a little bit like the University of Michigan, but it's not exactly the same, so we'll have some room to respond after the Supreme Court decides the case unless they say race is a prohibited consideration and then we would have to do something.

KNOST: I think that also we're in a different situation because our real issue is about recruitment. We need to have many more minority students applying and there are students out there that should be going and that is our weakness. And I'm more concerned about trying to get them than anything else on the undergraduate side. And I don't think that the case will probably affect those. I think that it's been though, once you're bringing more students in, if your hands are tied to do remedial type programs or incentive type programs it's going to affect you in a different way even on the undergraduate side because then there's the question partly what the continuing faculty conversation is—do we want to raise standards in some programs in the undergraduate side or the graduate side, those questions are going to come in. Success is going, a double issue about graduation rates is going to come in. So there, and then...

BEPKO: As I look at it the only thing that could really affect us in an immediate and in a negative sense is if the Michigan case is decided in a way that no one expects, which would be to say that race is a prohibited factor and you cannot use race at all. If the court comes down in some other decision then we have plenty of room to work with and continue to work with using race as one of many factors in the admissions process.

KNOST: I also think there's an organizational question because I think we shifted. And that is that we tended to have specialized programs for minority students. So for example in Bloomington you have an Honors program that is not diverse at all. And the MAP and MAPS program or Honors program, I mean this may be the time for us to say why or is it necessary to treat them with a separate program or should we be talking about this as an umbrella group of honors programs and adding incrementally both students and funding these programs that represent that distribution. Some of it is just course of habit quite frankly, that we have these programs. And I think it's an opportune time to actually expand and do some very exciting things that we could do. In that way I think there are almost some positives on the one hand. I

would agree with that. If it is that the university is going to, is very committed, both in these programs and also to, as Gerry mentioned—the decision right now, and I’m going to tell everyone, we’re going to keep doing what we can do as long as we can do it if we can start thinking creatively about new ways to do it.

FISHER: It’s a good time to ask forgiveness and not permission, depending on what the Michigan case.

KNOST: Well, ironically I’ll throw in something else. Meanwhile, on the one hand, the Department of Education for example right now is very very conservative, it’s basically like the Bush administration. On the other hand I’m getting notices from the National Science Foundation and granting agencies and accreditation agencies that are saying why are your faculty and students not more diverse. So there is not consistency across organizations as well. And so while the Michigan case represents certainly a very important decision it’s not the only thing pending I would say.

BEPKO: Well the program in Indianapolis at the Medical School was attacked is funded by the National Institutes of Health and they require standards, so the government made us do it.

BEPKO: I think we better move on, we have two action items. Thank you for your report. We should make sure there are no other questions or comments.

**AGENDA ITEM #7: Chancellors’ Review Procedures
(Professors Bob Eno and Mary Fisher)**

BEPKO: We move on to the Chancellor’s Review Procedures and Bob and Mary.

ENO: Ok, you have a circular in front of you, U7-2003 as part of your stapled packet. We discussed a month ago the revisions of review procedures for higher administrators, university-wide, as it pertains to Chancellors. This is something that is the beginning of a process that we were requested to undertake by the Trustees. Their desire is that our request that they will sunset the mandatory retirement policy that covers a broad range of higher, upper-administrators. And in the sunset provision that they enacted they provided that this would happen only if we were able to draft review procedures for these positions that gave them confidence that they would be able to waive the mandatory retirement based on accurate assessment and performance.

This is the first step. We began at the Chancellors’ level in order to have an intermediate level, below the President, above the Vice Chancellors and Deans so that we could adapt that model down and up in order to cover all of those now covered by the retirement policy. We discussed this last time, they were pretty detailed provisions I hope you had time to look over the Circular U7 that incorporates all of the comments that were made at the UFC meeting last time.

In addition I received in response to the original draft of this a variety of comments from our chancellors. And the thrust of those comments really were directed at two different issues related to reviews from the chancellor’s point of view. One was the that the chancellor needed to have

an opportunity to educate review committees as to what the chancellor's job was, what sort of constituencies the chancellor dealt with, what sort of constituencies the review committee would need to interact with in order to respond, in order to be able to evaluate chancellor's performance correctly.

And also the chancellor's were concerned that they should have some opportunity to review the composition of review committees so that if there were any members that had been nominated for the review committee that the president was intending to appoint it seems that would be particularly inappropriate and the chancellor was able to discuss with the President for that, it would be an opportunity to object to people appointed to the committee. This is something that is in fact generally done. We built these provisions into the new procedures and in U7 introductory paragraph we highlight some of the new things we've added in, in this regard.

In particular, Section 9 which is the section that allows the chancellors now to educate the review committee on structures and jobs and constituencies they deal with as is the provision for objection for cause to members of the review committee, in 3F.

After we had posted this revision I sent out a request again to all of the chancellors and also in both cases I sent a request for responses to Gerry and Fred Eichhorn, the head of the Trustees—it's not something we're doing to take the Trustees by surprise. We're working with the Trustees to come out with something they can have confidence to allow them to sunset the mandatory retirement policy. The responses that we got to those requests focused on a set of very narrow issues that the Agenda Committee this morning in its meeting decided to respond to with some proposed amendments to U7 so before we discuss U7 we want the Agenda Committee's proposed amendments to U7 to be incorporated in your thinking.

I'm going to read these amendments out, the proposed amendments to U7 from the Agenda Committee as friendly amendments, since U7 does itself come from the Agenda Committee. The Agenda Committee would like to modify 3E. In 3E we want to add the sentence, "Addition of non-faculty appointments shall be at the discretion of the President." The reason we want to add this clarifying language that non-faculty appointments to the review committee are at the discretion of the President is because we received a number of responses from chancellors suggesting that we build in provisions to the structure of the review committee mandating the inclusion of upper-administrators on the campuses, for instance vice chancellors or deans either on the committee or chairing the committee. We felt this was not an area that the UFC should be legislating regardless of whether we felt this was a good idea or not, we felt that this was an issue that the President should be aware of and the chancellors should have the opportunity to discuss with the President. So we simply adding this clarifying language that these other areas of appointment do have a legislative authority, it is the President not the UFC.

We have a modification on 3G. The President shall appoint the Review Committee Chair, to be followed by the phrase, "after consultation with the campus faculty council Agenda/Executive Committee" and then the clause would proceed as is now. This was actually Gerry's suggestion; a way of making sure that there were no surprises in the composition of the committee or in the selection of the chair. Because they would be informed there is room for views, reactions, responses that faculty might have to a proposed appointment of chair.

Section 11. One of the comments that came from the chancellors in the second round of responses was that there was not a specific role designated for upper level administrators on the campus level to play in giving feedback to the review committee. And so we've made 2 changes in that paragraph. The first sentence is very long, I won't read it all but in the fourth line in the third sentence I'll pick up from the end of that line. "who work closely with the Chancellor under review" this is a list of people the review committee will consult. We've added a phrase, fairly long, "with academic and non-academic administrators on the Chancellor's own campus who report to the Chancellor directly or indirectly." This mandates that the review committee will consult with the upper-administrators on the campus of the Chancellor under review. We presumed it would be the case, but in response from a request from the chancellors we have made this explicit. In order to accommodate that we've eliminated about seven or eight words down the two words "academic administrators" from the subsequent list as they've already been covered.

In Section 12 concerning Confidentiality and Impartiality there was some concern that since there is no such thing anymore under the law as complete confidentiality or completing guaranteeing [End of Tape 2, Side A, some words lost]. In the middle of this section 12 picking up from the second phrase, "the review committee shall devise its procedures to ensure and convey to participates the assurance of full confidentiality" add a comma "so far as can be guaranteed under the law." That is the inserted phrase in response to that issue.

And in Section 14 at the very end the issue of confidentiality was also raised with regard to whether or not the review committee report, or the public report derived from it, could cite from confidential documents. University Counsel advised us that if confidential documents were cited in those reports it might be used as a presumption that the administrator under review should have access to confidential documents, in other words that confidentiality had been breached so they were no longer confidential. So we've added a sentence at the end of that section. "Neither the Review Committee report or the public summary shall quote directly from confidential documents."

And finally we've added a Section 16 in light of the fact that these procedures involve a survey instrument that the University Faculty Council must design recognizing that these procedures could not be used in the coming year when there are some Chancellor's review on the way because we have not designed a survey. So we've added a Section 16 titled "Effective Date" that reads "This policy shall become effective as of the 2004-2005 academic year." And with those revisions the Agenda Committee proposes these procedures for adoption by the UFC.

FEMALE SPEAKER: May I make a grammatical suggestion?

ENO: yes.

FEMALE SPEAKER: In 3G if you insert the insertion that you just suggested there the word who would apply to the wrong person. I would suggest that you put "faculty council executive committee. The Review Committee Chair shall be an IU faculty member"

ENO: Right, good. Thank you. I should ask for the Council's indulgence. I know somewhere in here there is a missing word "to", it was noted by one of our chancellors and I forget where it is and I didn't build it in here and I'd like permission to add the "to" when I find it.

Other comments?

FEMALE SPEAKER: On the timing Bob you have that at least 1 semester is available, but

ENO: I'm not sure where you are...

FEMALE SPEAKER: On 4. You have that at least one semester...you have no close end, you don't want it to last more than a year right?

ENO: The Review process is expected to be completed within one academic year. How does that sound? Other comments? Discussion?

GEPKO: We are raising the question. This is a vote for approval as its been stated and presented to you today. I take it we're ready for a vote. All those in favor say AYE [AYE]. Any opposed? [none]. The motion carries. Sounds like it was unanimous. Are there abstentions? We'll report that as a unanimous vote. Excellent.

AGENDA ITEM #8: Procedures for Athletics Committees (Professor Eno)

GEPKO: Second action item has to do with the Athletics Committee.

ENO: Right this is also a proposal that we considered last time. We brought this to you Circular U5 dated the 6th of March and in fact there has been an amendment and I should have redated Circular U5 as a result of the amendment. There is an amendment made in the Circular and the Agenda Committee would also like to propose an amendment. This is a proposal to change a small portion of the governing legislation of our campus athletics committees so that there is for each athletics committees a small delineated personnel committee that the President is expected, or on non-Bloomington campuses the Chancellor who would be in charge of athletics, is expected to consult for personnel decisions concerning the hiring or firing of coaches and athletic directors. The motivation for this is non-consultation in the past in cases of firing of coaches and athletic directors. As a result of the claim that the consultation mechanism is too broad, confidentiality would be assured, so that it doesn't seem too cumbersome. We are giving in to the argument that our former procedures were too cumbersome and couldn't guarantee confidentiality although some might dispute that, in order to assure that there is no valid excuse for non-consultation. The change that was made and the key paragraph is section A5 of 3a5 of the second page of Circular U5. "The campus athletics committee shall appoint a personnel subcommittee consisting of two faculty members of the Committee, the Chair, and the Faculty Athletic Representative." This is not the amendment, no that's not it. I printed off the wrong version.

The proper version, this version can be read as indicating that the Chair and the FAR are the two members of the committee so it should be including the chairs. "The Campus Athletics Committee shall appoint a Personnel Subcommittee consisting of the Chair, the Faculty Athletics Representative, and two other faculty members of the Committee." I'm sorry that this was not in the printed sheet.

In addition, the Agenda Committee wishes to add to this the following clause: "At the discretion of the campus Faculty Council, one non-faculty member of the Athletics Committee may be added to the Personnel Subcommittee." This is because some Athletics Committees in response to this proposal indicated that they felt there were on occasion where alumni or student members would have some sort of special expertise or special skill in personnel matters that would motivate their appointment to the Personnel Subcommittee. The Bloomington Faculty Council was faced with that recommendation and they rejected it in favor of full faculty control but the Bloomington case may be quite different from other campus cases and the UFC decided that this should be a matter that was determined on a campus level rather than having it at the university level, so it leaves open to campus discretion of adding a non-faculty member to the four designated members.

All other aspects of this are as you saw it last month. And the proposal is that these changes be adopted into the existing policy on Campus Athletic Committees. Discussion?

BEPKO: No discussion? Jim?

BALDWIN: I still protest the idea that the President's office supervises Bloomington Athletics. It seems to me that voting for this document seems to imply an acceptance of that and so I don't know what I'm going to do. I have no problem with the personnel subcommittee and that but I just feel that the President of a state-wide university has better things to do than worry about intercollegiate athletics at one campus. I think it's a hold over of the day when there was one main campus and various extension campuses without athletic programs and I think since all of the campuses now have athletic programs putting one of them under the Office of the President implies that's the only one that matters, or the one that matters the most and I object to that.

ENO: This is a policy that must be adopted by the Trustees so we are proposing that we adopt this as a proposal to the Trustees to modifying the existing policy. I noted your comment.

BEPKO: Are there other comments or questions?

SPECHLER: Following up on Jim's question from another angle people will know that IUPUI has Division I programs and it has had for several years. I don't know much about intercollegiate athletics but I thought that the Division I programs had to be under the supervision of the President accordingly, supervision by the Chancellor at Indianapolis would not be sufficient. That the President would have to be responsible for Division I athletics on all of our campuses. Is that not true?

ENO: It's not true.

BEPKO: The President's responsible for everything. No matter where it occurs. I guess in a sense the Trustees since they have the ultimate authority here but the President has to take responsibility for all of the things that happen within the university. I take it from your comment that what you're suggesting is that the President ought to also appoint whatever Athletic Committee there is on the IUPUI campus and I don't know...

SPECHLER: Well it would relieve the disparity which I guess is symbolic and certainly the President would consult with the Chancellor as they probably do on the Bloomington campus as well. So one way to relieve this symbolic disparity that seems to upset my learned friend would be to have the President ex-officio appoint all the personnel for the athletic committees on whatever campus, at least at the Division I level.

BEPKO: So you're saying that it's wrong for the President to appoint the Athletic Committee in Bloomington so to correct that wrong...several wrongs don't make a right.

SPECHLER: Well, I don't think it's wrong for the President to appoint the Athletic Committee in Bloomington, I think that's what...

BEPKO: That was Jim's point.

BALDWIN: We don't agree on that one.

SPECHLER: But.

ENO: Let me make a point about what's going on in this conversation, it has to do with IUs weird structure, it doesn't have to do with the issue that you're looking at in this way. Other universities do it quite differently, the President doesn't appoint any of them. The Chancellor's appoint and the Chancellor's appoint because at the flagship, what we used to think of at the flagship campus, the campus with the big-time athletics program, the Chancellor is in fact the Chief Executive Officer and the President is a system-officer and therefore is not involved in athletics. This is the case when you look at Illinois. For instance the Chancellor at the Urbana-Champaign campus oversees athletics and the universities representatives on the Big 10, meetings of the chancellors and presidents and so forth. At other places it's the President who does it because it's much more of a one campus or campus and satellite campus sort of structure. We have a structure that doesn't fit any of these things and so we wind up with this hybrid and weird way of approaching things. But it's probably not best to try to work this out through the window of athletics; we have to continue to try to work this out through the window of what is our structure supposed to be and how should it optimally operationalize? How do we put into practice so we get what we want which is a structure with tremendous potential but it's not working as well as it should right now. And this is the sort of area of conflict where there are a lot of subtexts to what Jim is talking about, it's not just athletics where we have many more years of work to do and we're going to be able to do it with a new president.

FISHER: My concern about this is that in some ways I agree with both of them, even though they're in conflict. My concern is the wording about campus intercollegiate athletics or university intercollegiate athletics in Bloomington. All the problems that we had with IU

branding and identity has to do with Bloomington being associated as the university and Bloomington is clearly a campus of the University and the way this is currently written continues that policy. I would like to see us in some way as we work on our wording of any policy that comes through try to find ways to clarify that Bloomington is a campus of Indiana University and not the Indiana University. So that's my only problem with it.

BEPKO: This is a remedy for an issue that's been raised that's relatively narrow and I think that the intent in proposing this was to try to be helpful to make things better but within this larger framework, but I don't think the Trustees would be at all interested in changing the perception of intercollegiate athletic programs so that it reported to the Bloomington Chancellor at this point. And I don't think they'd be interested in taking the President out of there. So it seems to me that the better approach would be to take this proposal as a limited remedy for a limited issue and leave those larger issues for other contexts especially in view that we're only a few minutes from the conclusion of the last meeting of the year and we still have an executive session.

FEMALE SPEAKER: Can I call the vote, the question?

BEPKO: Yes, wonderful. So all in favor say AYE [AYE]. Any opposed? [none]. Any abstentions [TWO]. Two abstentions. Mary you have the floor.

FISHER: Very short special item of Agenda Committee business. We have a very small gift to give to Bob. The Agenda Committee wants to thank him for his leadership, not just this year but over the last two years, but especially this year as Senior Co-Secretary. And we had a lot of discussion about what to get you and we decided to give you something that would allow your own creative effort as far as how you actualize the gift. So we have a gift certificate to Barnes and Noble for you. And thank you very much for all the help you've been and the leadership you've given to, not just the Agenda Committee, but the whole UFC.

ENO: I think you all know how much I enjoy doing this and I regret leaving it although it doesn't quite feel that way. One of the things about working out our problem structure is making sure we figure out what the UFC is supposed to be this year including the sort of interpersonal relationships that let us do it better. So I look forward to future years of the UFC and I hope it matures and grows.

BEPKO: In adjourning the regular meeting I'd like to say one word of trivia of my own about that I have only had about 6 months I guess since the Trustees asked me to serve as Interim President and I didn't know what much of the work was about. Of course I never had this kind of experience before as an Interim President, or president of this large of an organization. I must say though that I have grown to have a very high regard for Bob and I can't think of anyone that would have been better to work with in this area than he has done. For so many reasons, but I should just mention to you because you haven't been as much privy to this as some of us have been, but I think Bob has been particularly effective in working with the Trustees of the University. He has made the points of view of faculty forcefully but respectfully and in a context of high spirits and good cheer and he's been very effective in influencing Trustee attitudes. I hope he will continue to do that as an associate of the university in the future because I know that they listen to him and that's because he's been forceful and respectful. So thanks Bob.

