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MINUTES OF MEETING #543, 9 JANUARY 2014
APPROVED 30 JANUARY 2014

Present: *Wai Mok, Fan Tseng, Chris Allport, Charles Hickman, Pavica Sheldon, Joe Taylor, Linda Maier, Christine Sears, Carolyn Sanders, Nick Jones, Anne Marie Choup, Eric Seemann, Bhavani Sitaraman, Mitch Berbrier, B. Earl Wells, James Swain, Kader Frendi, Ellise Adams, Anna Benton, Marlana Primeau, Peggy Hays, Phillip Bitzer, Luciano Matzkin, Debra Moriarity, Richard Miller*

Absent with proxy: *Dan Sherman*

Absent without proxy: *Keith Jones, Derrick Smith, Angela Balla, Deborah Heikes, Ying-Cheng Lin, Junpeng Guo, James Blackmon, Jeff Evans, Kristen Herrin, Carmen Scholz, James Baird, Tim Newman, Craig Cowan, Leonard Choup, Lingze Duan, Nikolai Pogorelov*

Guests: *Chancellor Robert Witt*

- Senate Meeting Number 543 was **called to order** at 12:45 p.m. by Mitch Berbrier, Faculty Senate President.
- Mitch Berbrier **introduced Chancellor Robert Witt.**
- **Chancellor Witt:** Thanks everyone for attending. Says he would like to talk about some changes that are taking place in the system office—changes that are both important and very relevant to all three campuses. The changes that have been going on over the last 18 months will continue for at least 3-5 more years and they will probably accelerate.

Historically, the system office operates like most system offices. It helps provide coordination for academic programs on campus, helps avoid inappropriate redundancy of programs, works on maintaining the physical integrity of the UA system, which is a large operation. The operating budget of the University of Alabama system is in excess of 5 billion dollars. We have around 27,500 faculty and staff. Currently have about 1.1 billion dollars in debt so it is a large operation. Managing its financial strength is an integral part of what the system does. We also coordinate federal- and state-level legislature relations, which is important because we will have more support from members of delegation both in Washington and in Montgomery if we speak with one voice and don't put them in the position of having to pick and choose projects between the campuses. We provide planning oversight and ensure the campuses comply with the Board

rules. The evolution that is taking place has been driven by some very significant changes that have occurred over the past several years and those forces are likely to change in a positive way over the next few years. The evolution of how our office operates is important.

Increased emphasis on “Risk Management.” We now have a full time director of risk management. The board requested the creation of that position after the circumstances that occurred at Penn State University. When the situation at Penn State began to unfold, the Board, which thought it was in a position where they knew what was going on on campus, and that risk was appropriately managed, realized they didn’t really know what was going on on campus. As federal regulations proliferate and financial penalties are attached to violations of those regulations, where financial penalties have not existed before, the Board began to realize that we needed to begin to focus on risk management in a coordinated way. It is not that the campuses were behaving irresponsibly, but that the environment was becoming more complex. The ease with which you could inadvertently violate federal and state regulations became more significant. We looked at the size of the checks that were being written by universities, which inadvertently violated regulations. Some of those checks were very large. The University of Texas San Antonio wrote one to the federal government for 22 million dollars because of inappropriate record keeping. The Board felt that we needed to ensure something like that never happened on our campuses.

We have received a very clear mandate from the state, from the governor, from the legislature, that they would like to see institutions of higher education, both 4-year institutions and the community colleges, play a more active role in economic development. The governor has asked that I chair the Council of Presidents—fourteen 4-year institutions in the state. We are trying to create a door into every academic institution in the state, an individual to whom the governor or legislature or a community can turn if they believe that academic institution can help the state compete for a new company or help an existing company in the state become stronger financially and/or employ more people. We spent time over Christmas break working on a presentation for 4-year institutions, which unfortunately we didn’t get to make because the union in Seattle went the wrong way. The team that was assembled under the leadership of Joe Ritch put together a presentation designed to convince Boeing that the state of Alabama had the work force they needed and the pipeline that would keep them in strong shape in terms of engineers, business people, and scientists. That presentation probably couldn’t have been put together on the timeline that we had without the active involvement of the community college system and the 4-year system. We are being asked to play that role and it is a vital role because the more we can do to help the state of Alabama grow and prosper, the more we can do the help increase the tax base in Alabama, the better position we are to receive the support we would like to receive from the state. We have to become more active politically. That is a path you must walk with care. There are certain activities that are not appropriate for an academic institution. But we have to recognize that within our state, we need to become far more active and far more effective than we’ve been to date. A decade or so ago, the Education Trust Fund was divided approximately one-third to two-thirds, with the one-third to higher education and

the two-thirds to K-12. We currently receive under 30% of the education trust fund. Our percentage eroded over time because the AEA was more effective than we were in making the case for allocation of resources. The single most important force driving change in the system office is the fact that there are some conditions in our environment that have been there for a few years that are not likely to change. One is decreasing state support. Public universities all over the country are facing the same challenge. When we began current fiscal year in October, the University of Alabama System had 166 million dollars less than we had in the 2007-2008 fiscal year. UAH began this fiscal year with 15 million dollars less than you had in 2007-2008. The Tuscaloosa campus, which had 7,800 more students this fall than fall 2007, started out the year with 56 million dollars less. There is no reasonable likelihood that money will be reinstated in the near future. We have a flat budget going into this year. I am optimistic it will be flat going into the next fiscal year. It's not realistic to expect that we will see even a partial restoration of the funding we lost. We will continue to make every effort to get more money in Montgomery. But in reality it is not likely to materialize in the near future.

We need to do a more effective job of managing the three campuses and the health system. We need to begin to truly function as if we are a system, and not three separate campuses and a health system. To a degree, we do function as a system. We have the single Office of Counsel, a single Office of Audit, but in terms of taking advantage of the potential leverage of being a large system, we have not been doing that. We are faced with decreasing state support. The lever that we can work to deal with that is tuition, which has gone up significantly. When you look at the level of debt that our students are graduating with, in some cases it will shape the first decade of their life in terms of dealing with it.

As a system, we need to begin to operate more efficiently. Over the last 18 months, under the leadership of Ray Hayes, our Executive Vice Chancellor, and the CFOs of the three campuses and the health system, we have been systematically trying to look at the operating budgets of our campuses and the health system and look for areas where we can better leverage the size of our system. Over the last 18 months we've carved about 7.6 million dollars per year in savings out of the four budgets. Those are annual savings. I anticipate by next fall, we have a good chance of doubling that. Every dollar taken out of the cost equation of campuses operating budget returns that dollar to the campus to be invested where they're most needed. We now have one contract system wide for the purchase of computers, office supplies, furniture, delivery services (one contract UPS), instead of four different contracts. Because we are aggregating our purchases, we become a more important customer and that means we are in a position to command better prices.

We will be moving into a broad range of additional areas over the next 2-3 years.

- The University of Alabama system is the proud owner of 1,237 vehicles. Almost all of those vehicles are gas or diesel powered. The charging station for an electric vehicle costs approximately \$6000 to install and can charge 2 vehicles at a time. Vehicle recharges in about four hours. An electric vehicle on a charge can go about 200 miles. They cost

significantly less to operate. They're environmentally more positive. As we look at our fleet of vehicles over the coming years as cars, vans, and some cases smaller trucks are due to be replaced, we will take a look at where appropriately to replace a gas or diesel powered vehicle with an electric vehicle.

- LED Lighting offers opportunities to save significant money. We completed an experiment on University of Alabama's campus and converted the lighting in a parking deck from standard to LED. It cost the University of Alabama Tuscaloosa \$81,000 less in power charges for one parking deck by switching. That campus has close to 300 buildings. It has a large number of parking lots, as do you. There is a company if the campus doesn't have the resources to begin the process of converting from standard to LED lighting that will pay all of the costs of conversion and accept their payment out of the savings that the campus realizes over time. I'm optimistic that by next fall, 15 months out, we will double our savings because these opportunities are out there. We just need to explore them. The lighting system in this new parking deck shuts off at midnight. Any movement in the deck, person or vehicle, turns them back on. If a problem arises and campus police go to that location, the police officer from the computer in the patrol car can turn the lights on or flash the lights on and off. It creates a safer environment.
- With 1,237 vehicles, there is no reason we should not be self-insuring. We are going to establish a reserve at the system level. Will carry a policy to handle catastrophic situations—half a million to one million dollar lawsuits in conjunction with an accident. We can self-insure at the lower levels and save significant amounts of money.
- Chemical storage and disposal. Every year federal regulations get more demanding and more complex. The stakes in the storage and disposal of chemicals can lead to substantial penalties. UAB, because of the health system, has one of largest and most sophisticated chemical storage and disposal programs in the country. Will look at the way University of Alabama Tuscaloosa campus and UAH campus can take advantage of the resources in terms of chemical storage and disposal that are available at the UA campus. Currently, the University of Alabama and the University of Alabama Huntsville, for their student health centers, purchase pharmaceuticals. The UA Health System purchases such huge quantities that just by bundling UA and UAH's purchases in with the health system, we will save significant amounts of money.

All of the changes mentioned I would put in the category of non-sensitive changes because they don't directly impact faculty, staff, and students.

We are about to start another cost saving investigation that I'm confident will open up significant opportunities to save and it will involve our libraries. That will be a very important project because it will allow us to take a look at what kind of process is needed that will enable our faculties on the three campuses and leaders of the health system to be sufficiently involved in changes that take place in our libraries—changes that impact us as teachers, as scholars, and our students. University of Michigan went through an effort to develop cost savings to share its services. They identified significant savings. They reacted negatively and strongly because they weren't kept informed, and they did not have an appropriate voice in determining the role and scope of those changes. We put a team together with representation from each of the three campuses. That team will visit Penn State and Arizona State. Both of those systems have achieved significant savings in their library operations. Savings that have allowed them to expand the number of journals they carry, and that have allowed them to invest in more books and better services by combining their operations. Sending representatives from each of our campuses to study what our colleagues on other campuses have done and learning from what

they have done and coming back to our campuses and enabling us to operate more efficiently will free up resources. We just began this process.

By operating more as a true system, we will be able to save over the next several years; annual savings that will amount to tens of millions of dollars a year. Those dollars remain on the campus to be invested where needed. Growth and operating efficiently are the way we have to work our way out of our current situation. Realistically, over the next several years, it is unlikely we will see a significant increase in state funding. A university is not a business but managing the university in a business-like way can help control our future and can help us generate the resources we need. Growth is going to be as important as our efforts to operate more efficiently.

Bob Altenkirch is providing outstanding leadership to this university. He is building a strong new management program. He is going to be personally involved in helping to grow the size of the student body here, particularly non-resident enrollment. Part of the reason the Tuscaloosa campus has remained strong in spite of being down 56 million dollars is because of growth. You can grow and you can have quality growth. If you look at the freshmen class at the Tuscaloosa campus this fall, it is larger than few years ago. One out of every four freshmen, 6,500 freshmen total, came to the university with a perfect 4.0 high school GPA. Bob and his team are carefully studying what UA did, and will, where appropriate, adopt some of the same programs and procedures. If that kind of growth, quality growth, coupled with operating efficiency it can put a campus in the position of being able to be stronger financially. One of Bob's highest priorities is faculty and staff salary structure at UAH. He is committed to having it become significantly more competitive as soon as possible.

Questions?

- Deb Moriarity: You talked about efficiencies within the system. In the past there has been some discussion of courses being shared across the campuses through various technologies. Is that something that is still being considered and favored?

Chancellor Witt: Yes. Currently using a system that 20 years ago was state of the art. We, I think, fall semester had a little over 30 courses that were being shared. There is technology out there that is stronger. We will be making a significant investment in that technology and working with provost on the three campuses to explore how best to share courses and faculty. I think we will put ourselves in a position to have a more robust set of course offerings because we will be able to share faculty and save significant amounts of money. Process is important as we go forward. Faculty might not feel okay about administrators talking about "sharing" them, and they might not know what that sharing means. If we don't have good faculty participation in the changes we are going to be making, we can face the kinds of problems that Michigan had and the University of Texas had. We started taking a small step in the right direction. After every Board meeting, the three Faculty Senate presidents and the three SGA Presidents of the campus will meet for lunch on Friday immediately after. We are going to move in the direction of a more formalized agenda. We will be talking about shared concerns and

shared opportunities. I think that will be a meaningful step forward in terms of enhancing the level of faculty involvement in what is going on.

- Unidentified Audience Member: Thank you for your information on cost avoidance. Is the board looking at another part of the income statement in terms of revenue besides just increasing enrollment? Is there any “out-of-the-box” thinking in terms of public revenue streams? Any thoughts?

Chancellor Witt: We are already looking at areas where we can enhance revenue. You have strong new leadership in your advancement office and fairly increased philanthropy is one of those avenues. Focusing more on the licensing income that can be attached to intellectual property that has commercial potential. Even looking at auxiliary operations. We currently have two different vendors providing food service in our system. It may be that we should consider looking at whether without compromising the quality of the food and the service the campus has, we may need to look at can we go to a single vendor and with greater leverage that provides substantial supplemental income to the university. As the Tuscaloosa campus has grown, and they have leveraged that growth with their food service provider, that auxiliary operation has become very profitable. In terms of thinking outside of the box, there are potential opportunities out there. There are discussions taking place in Tuscaloosa regarding if it makes sense for the university to partner with one of the major theater operators. Have that operator build a movie theater on campus with several screens. Most movie houses sit empty a portion of the day during the week. One of the biggest needs we have on university campuses is mass section lecture halls. Why couldn't a theater that shows movies on the evenings and on weekends be that mass lecture hall on campus built at another's expense? We currently have three bookstores operating. UA operates its own. Barnes & Noble operates UAB and UAH. Are we at a point where we should sit down and ask the Tuscaloosa campus, “Let's at least look at the numbers by joining together in all being with Barnes & Noble, can we increase the profitability of our bookstores?” We have to be as creative as possible. We have to operate in a manner that's consistent with our value system and an academic culture. The environment we are in is going to require us to not only be as efficient as possible, but also as effective as possible, and that will be looking at every possible opportunity.

- Mitch Berbrier: In the context of all of this discussion on efficiency, in all of your discussion with the legislatures, has anyone ever mentioned the quality of instruction or the quality of the programs? It seems that is missing often.

Chancellor Witt: I've talked with some legislators who are sensitive to that, but it's clear that we haven't done the job that we need to do on helping our elected officials understand how a good academic institution operates, how you have to protect quality. Most legislatures care about the quality of the state's academic institutions. But there is a difference between caring about it and understanding what goes into building a quality academic environment. The system will be establishing by the end of this month

an entity called the Alabama Association for Higher Education. That will become the entity that will make every effort to help our elected officials better understand what it takes to build a quality academic environment. The thinking that is potentially very dangerous is when there is a want to move a class teaching thirty students to a class teaching sixty students to reduce the costs. The University of Alabama Tuscaloosa has grown very rapidly. From fall 2002 to fall 2013 it went from 19,600 to just under 35,000 students. They went from 7,400 applications to the freshman class to 31,000 to the freshmen class. The freshmen class that enrolled this fall: 1/7 had a perfect high school GPA and the average ACT is just under 26. That is quality growth. By-product of that growth is in the significant increase in non-resident enrollment. If a faculty member at the University of Alabama in fall 2003 and still a faculty member in fall 2013, and if received an average merit raise each year there was one, salary would be 60% higher. Growth made that possible. You can talk to your colleague in Tuscaloosa and they will tell you there is quality. Can't have both. If you were to talk to your colleagues in Tuscaloosa, they would tell you they were involved in this process every step of the way.

- Unidentified Audience Member: What are your plans for incorporating diversity as we move forward into the future in regards to racial, socio-economic, gender, etc. in the administrative, faculty and also student population? I've heard about quality efficiency and quantity efficiency, but nothing about diversity. What are your thoughts?

Chancellor Witt: In terms of socio-economic diversity, one of the most important factors is scholarship support and financial assistance. University of Alabama Tuscaloosa went from roughly 11 million dollars in scholarship support to just over 100 million dollars this past year. A concerted effort to make as rapid progress as possible in raising need-based scholarship support as opposed to merit-based scholarship support. A very aggressive recruiting effort has enhanced diversity on the Tuscaloosa campus. One of the biggest challenges we are facing within our state is there are large numbers of young people, and their parents, in Alabama in rural areas and in the inner city who are not aware of the levels of financial support that are available. We are getting ready to launch a pilot program on Tuscaloosa campus that will involve significant student participation. We have a broad network of Boys and Girls Clubs all across our state. Young people use those Boys and Girls Clubs fairly intensively. A significant percentage of those young people using the Boys and Girls clubs come from lower income families. If the Boys and Girls Clubs of our state can become a vehicle for helping parents understand the levels of financial support that are potentially out there, we think we can make significant progress in terms of socio-economic diversity on our campuses. We conducted an experiment. We went to two high schools in the Greensboro area and talked with some parents. We had a chart that had 5 different family income levels. We didn't ask what their incomes were, but asked them to look at the box that came closest to their family income, and then read across the level of federal financial support that is guaranteed to their child if they fell in that category. Two out of every three sets of parents we talked to weren't aware that that money is there for them. We are going to experiment with a

student driven program where students will be out in Boys and Girls Clubs, trained in what kind of financial aid is available and trained in how to fill out the forms so they can work with parents. One of the ways we can best enhance diversity on our campuses and best serve our state is by getting a much broader range, a much-increased range, of participation in our institutions. Tuition will continue to go up and as it does, I'm increasingly concerned that socio-economic diversity is going to be under great pressure.

- Andree Reeves: Some of the colleges have lost a lot of their enrollment, for example, the Liberal Arts. Is there anyway or vision of how we might can restore that or if we want to?

Chancellor Witt: I haven't been directly involved in the Liberal Arts area on the Tuscaloosa campus. One program that I saw work with tremendous success was the program they installed at the University of Texas at Austin while I was there. They created a program called the Business Foundations Program. It was designed with significant input from corporate recruiters. It was an 18 hour sequence open to any student in good academic standing. It was used most heavily by students in the College of Liberal Arts. By taking this program, they could qualify to interview for a very significant percentage of open positions handled through our Career Services Office. That program grew out of talking with parents of students who were in the College of Liberal Arts and getting feedback from them. Their concern was: my son's love is Political Science, my daughter's love is French, they will major in those subjects but what do they do when they graduate? So Liberal Arts said, we want young people to follow their intellectual passion, but we need to put a foundation in place to allow them to interview for jobs. Enrollment in Liberal Arts improved significantly. That is a repackaging of what we already do. It's a packaging of resources that are already here.

- Charles Hickman: What do you project in terms of tuition increases?

Chancellor Witt: I think we are going to be under very significant pressure to keep them as low as possible. This year the high in the system was a little over 5% and the low was 2.6% or 2.7%. I don't think we will be able to go forward with increases in 4 to 5 point range. It will be politically difficult. Every dollar we can take out of the cost equation is a dollar we don't have to increase tuition.

- Deb Moriarity: We have seen a drop in enrollment in lower level classes and one part of that is students who are going to community colleges that are significantly less expensive. Is there any discussion at the system level about how we might be able to reclaim some of those students? Or work better with the 2 year system to try to enhance the transfer?

Chancellor Witt: I think the competition from the 2 year institutions is going to intensify substantially. Mark Heindrich is one of the most competent educational leaders that I've met in years. He knows that growing the community college enrollment is as important to them as growing our enrollment is to us. I think one of the answers for us is probably going to be a combination of 2 things: the stronger the brand you build, the greater your

ability to charge for it and the greater your ability to hold on to your students. Bob Altenkirch is working with a consulting firm, taking a look at how UAH is perceived. I think what you will see over a short period of time is a stronger brand emerging. One that can protect you better against lower cost alternatives. The other opportunity I think that both UAH and UAB may want to look at is online courses. If you look at this fall's freshmen class in the Tuscaloosa campus, 60% of the class is non-resident. Part of the reason UA has been able to attract non-resident students, who have gone from paying \$9,600 a year in non-resident tuition in fall 2002 to \$24,000 non-resident tuition now is because one of the options we can offer those students (and parents) is UA has 22 degree programs available online. It has several hundred courses available online. If you're a non-resident student, you can go home during the summer, avoid all residence charges, and can take online courses and save significant amount of money. Completion degrees can be put together. There are young people all over our state who attend community colleges because they're place bound for either social reasons or economic reasons. One of the most successful online programs that UA developed is the business completion degree. A student who is place bound for the previous listed reasons, may have to stop with an Associate's degree. With this business completion degree, now they can enroll online, continue to work and live where they have to, and earn a 4-year degree. So I think there are going to be opportunities on all three campuses to take a look at what we do and how we do it and develop ways of competing with what will continue to be lower cost alternatives.

- Unidentified Audience Member: Related to the cost savings, is there consideration for consolidating systems, such as Voice-Over IP, or perhaps a mass storage system for the redundancy for our networks and servers?

Chancellor Witt: Yes. My ability to comment on it is very small. John McGallan is the IT director at Tuscaloosa campus and has spent a lot of time here is going to be spearheading the effort. One of the areas we are going to have to approach very carefully is shared services. Unfortunately on some campuses, the process hasn't been what it should be and the faculty reaction has been damaging.

- Unidentified Audience Member: Is there a discussion about sharing graduate programs across the system?

Chancellor Witt: To the best of my knowledge the only one we have now that is shared is Aerospace Engineering. Graduate level programs, I think, are increasingly going to be shared. The nature of many of those programs is such that I can see a student admitted to one institution, given the proximity of our campuses, and doing a semester at another institution, taking courses that the home campus cannot offer or is not offering. There are opportunities out there. Part of it involves technology. Technology is out there that will allow us to do considerably more sharing.

***Faculty Member offers that the Materials Science PhD program is also shared.

- Chancellor Witt: One thing our state really needs is an easily searchable workforce development database. Every time we make a presentation now, company x comes in and they want to know how many Materials Science graduates we produce and we go through the same thing every time. Thank you.
- Mitch Berbrier: Meeting adjourned.

Faculty Senate Meeting # 543 adjourned
January 9, 2014, 2:15 P.M.