

# The Academic Council

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September 23, 2004

**Members Present:** Rev. Edward Malloy, C.S.C., John Affleck-Graves, Nathan Hatch, Jean Ann Linney, Christine Maziar, Jeffrey Kantor, Rev. Mark Poorman, C.S.C., Panos Antsaklis, Douglas Archer, Jay Brandenberger, Seth Brown, Olivia Remie Constable, Tom Cosimano, Katie Crossin, Tim Dale, Kenneth DeBoer, Neil Delaney, Thomas Frecka, Stephen Fredman, Nasir Ghiaseddin, Brad Gregory, Hope Hollocher, Frank Incropera, Eileen Kolman, Michael Lykoudis, Patricia Maurice, Christian Moevs, Tom Noble, Patricia O'Hara, Ava Preacher, Meghan Rhatigan, John Robinson, Crystal Salcido, Valerie Sayers, Jeremy Staley, Carol Tanner, Richard Taylor, Bill Westfall, Carolyn Woo

**Members Absent:** Joseph Marino, Teresa Phelps, Mihir Sen

**Members Excused:** Rev. John I. Jenkins, C.S.C., Dennis Jacobs, Kevin Barry, Sunny Boyd, Joseph Buttigieg, Don Crafton, Mark Roche, Jennifer Younger

**Observers Present:** Mary Hendriksen, Col. Michael Zenk

**Observers Absent:** Harold Pace

**Observers Excused:** Matt Storin, Dan Saracino, Kevin Barry

The Reverend Edward Malloy, C.S.C., called the meeting to order at 4:35 p.m.

Professor Maurice offered a prayer.

## 1. Minutes of the meeting of April 21 and

**September 1, 2004:** After members made some corrections to the attendance list for the April meeting, both sets of minutes were approved.

**2. New procedure for noting attendance:** Prof. Linney said that given the size of the Academic Council and the fact that, occasionally, teaching commitments cause some members to arrive late to the meetings, rather than she and the reporter taking attendance at each meeting, she will now ask each member to note his or her attendance on a roster circulated at the meeting. A person substituting for an elected or appointed member should sign next to the name of the actual member.

## 3. Retirement of First Year of Studies Dean Eileen

**Kolman and election of a search committee for her successor:** Prof. Hatch said that as members may have seen this week on the Notre Dame Website [See <http://newsinfo.nd.edu/content.cfm?topicId=7061>] or in print, Eileen Kolman, dean of the First Year of Studies since 1990, has announced that she will retire in 2005.

Prof. Hatch said that in her three terms as dean, Prof. Kolman has done a magnificent job supporting first-year students. She has led what is universally regarded as one of the flagship programs for first-year students in higher education—a program that is largely responsible for Notre Dame's 98 percent student retention rate from the first to the second years, and that contributes to the University's 95 percent graduation rate, a standard exceeded only by Harvard, Princeton, and Yale Universities.

Prof. Hatch said that Prof. Kolman worked very hard to establish the University's Kaneb Center for Teaching and Learning, and played a key role in the search for its first director. Other major contributions have been the establishment of the University Seminars, the improvement of the first-year composition program, and the development of collaborative learning groups to supplement the teaching of mathematics and the sciences.

Prof. Hatch continued that he knows from experience, however, some of Prof. Kolman's most important contributions are not always visible to the larger community. She has worked throughout her 14 years as dean to ensure that first-year students are taught in the best way possible, which takes a tremendous amount of negotiation with colleagues, departments, and colleges. As an advocate for exemplary teaching at Notre Dame, he said, she leaves a very long shadow.

While there will be other occasions to honor Prof. Kolman for her many accomplishments, Prof. Hatch noted, he did want to express the University's deep gratitude to her at this time.

Prof. Hatch then explained that the search for Prof. Kolman's successor will begin immediately, so that a new dean will be in place by late spring. It would be his preference to find an outstanding person internally, he said, but to find the best person for this important position, the search will extend beyond the University as well.

As for the composition of the search committee, Prof. Hatch explained, the *Academic Articles* provide that its five members should be drawn from the elected members of the Academic Council, with the provost to serve as chair. [See *Academic Articles*, Art. II, Sec. 6.] Given the importance of the search, as well as the importance of diversity on the committee, he will ask Council members to use the same procedure to elect its members as is used for the election of executive committee members: multiple rounds of balloting until nominees receive a majority vote. One of the five members elected to the committee must be a student.

Balloting proceeded as outlined, with election of Professors Panos Antsaklis, Olivia Remie Constable, Neil Delaney, Ava Preacher, and Richard Taylor to the search committee. By acclamation, Council members elected the Student Government academic commissioner, Jeremy Staley, as the student member of the committee.

**4. Comments by Fr. Malloy, Part 1:** Fr. Malloy then said that as is traditional at this September Academic Council meeting, he will offer some comments on events and upcoming initiatives important to the University community.

First, he noted, the opening of the Marie P. DeBartolo Performing Arts Center this fall has gone extremely well. There have been many favorable comments on both the quality of the inaugural performances and the beauty of the building itself. *The Chicago Tribune's* art critic gave the PAC and its programming philosophy a very favorable review [See <http://newsinfo.nd.edu/content.cfm?topicid=6823>], and a critic from the *New York Times* is coming soon to campus to write an article about the PAC and the commitment it represents to the arts at Notre Dame. [That article was published on October 12, 2004. See <http://newsinfo.nd.edu/content.cfm?topicid=7424>.]

Second, Fr. Malloy observed, in his rounds of informal discussions with students in the University's residence halls this fall, he has come away with a sense that the mood of students is very upbeat and proud. These informal discussions afford him an opportunity to get the pulse of students and to understand the kinds of issues that concern them. Additionally, his conversations this

year have affirmed that the residence-hall tradition continues to be a huge factor in the quality of the education Notre Dame provides to young people. Whatever limitations the residence hall system may have, it provides a community experience that is a key reason for Notre Dame's very loyal alumni base.

Third, Fr. Malloy noted, Sandy Barbour, a senior associate athletic director who has done a tremendous job at the University, was just appointed athletic director of the University of California at Berkeley. This summer, Jim Phillips, another senior associate athletic director, was appointed athletic director at Northern Illinois University, while Bubba Cunningham was appointed athletic director at Ball State in August 2002. With those appointments, Notre Dame's athletic director Kevin White has produced a total of 17 athletic directors during his various leadership roles at several campuses—a great tribute to him and to the quality of his programs and the associates within them, Fr. Malloy said.

#### **4. Comments of Prof. Hatch:**

(a) **Lilly Endowment grant:** Prof. Hatch announced that the University has just received word of a \$3 million grant from the Lilly Endowment to increase intellectual capital in Indiana. In its grant application, Notre Dame proposed to use half of the grant money to support University fellowships in the graduate school. These awards, to be called Lilly Endowment Presidential Fellowships, will be available in all four divisions of doctoral programs: the humanities, social sciences, the sciences, and engineering. The influx of funds will allow Notre Dame to ramp up funding for graduate fellowships for each of the five years of funding. The other half of the funds is designated for faculty recruitment—both junior and senior hires. Funds here, Prof. Hatch said, are somewhat flexible. While the Lilly funds cannot substitute for capitalization, they may be used at the discretion of a dean or department chair for such enhancements as laboratory equipment or library acquisitions for new faculty members. The goal is for Notre Dame to have a way to enhance offers to some of the nation's most promising or highly regarded teachers and scholars.

(b) **Upcoming comprehensive campaign:** Prof. Hatch next spoke of the University's upcoming comprehensive campaign, which is under the

direction of Lou Nanni, Notre Dame's vice president for university relations. Development prefers to call the campaign "comprehensive" rather than "capital," Prof. Hatch noted, because funds it brings in will be used for a wide range of needs—graduate education, undergraduate scholarships, and new professorships, as well as facilities. The campaign will be a major focus of the October trustees meeting, at which the administration will be asking for approval of a campaign target in the range of 1.5 billion dollars.

Prof. Hatch said that, like the recently completed strategic plan, the distinctiveness of the campaign rests on its focus on Notre Dame's individual colleges. Colleges, in turn, have defined their strategic opportunities through input by their departments. Throughout the campaign, Development will have a senior person as a liaison with each of the colleges. Development plans to chart the success of the campaign by charting the success of each academic unit.

(c) **Facilities:** As to facilities, Prof. Hatch said, Notre Dame's chief priorities now are new buildings for the Law School and the College of Engineering. Both are very high priorities for which nearly half the required funds have been raised. Also in the next wave of facilities funding, Prof. Hatch said, the University will need to refurbish space being vacated as the College of Science moves to the facility now under construction. Additionally, there is need for a social science building as well as additions to Haggard Hall and Crowley Hall.

(d) **Search for an associate vice president and director of human resources:** Prof. Hatch then asked Prof. Affleck-Graves, the University's executive vice president, to comment on the search for a new associate vice president and director of human resources.

Prof. Affleck-Graves first spoke of the importance of this position at the University. There are many pressures in the human resources area, he said, both with regard to benefits and health care costs. Last year, nationwide, health care costs increased by over 12 percent. The implications of that rise are enormous—both for the University and for its faculty and staff. Because the University pays 89 percent of health care costs and individuals the remaining 11 percent, the most dramatic implications of rising costs, Prof. Affleck-Graves

noted, are for people at the University on the lower end of the wage scale.

Prof. Affleck-Graves said that he and others at the University have spent the last two months exploring the general landscape of the human resources area and interviewing a number of search firms to select one that will conduct a national search. Yesterday, the committee selected the search firm. Thus, the process of naming the new director could take as little as two or three months, or it could take much longer. While there is certainly a desire to have the position filled as quickly as possible, Prof. Affleck-Graves said, the department is in very capable hands at present. Thus, he has urged the search committee and the search firm to find the very best candidate, even though that might extend the search's timeline. It is more important to bring the right qualified, experienced person to Notre Dame than to complete the search quickly.

(e) **Provost's Office priorities for the 2003–2004 academic year:** Prof. Hatch then outlined some key priorities of his office this year. First, he said, there has been discussion in the Provost's Office and with the deans about the issue of grade inflation. Grade inflation is a broad cultural problem—it is certainly not a problem isolated to Notre Dame. Nevertheless, he would like the members of the Undergraduate Studies Committee to consider taking up the issue and, he would recommend, establishing a subcommittee to examine the problem at Notre Dame. He believes grade inflation to differ by college; whether the University as a whole should take up the issue is the question.

Turning to budgetary issues, Prof. Hatch named the three areas he believes need concerted attention: libraries, graduate education, and faculty salaries. Given the pressures on the budget in the last few years, he said, there has necessarily been minimal investment in these areas. In fact, funding for the library and for graduate education have been relatively flat of late. This has led to quite severe repercussions in both areas. Task forces are now at work—demonstrating that the University is considering these issues with great seriousness and that he has made them his highest priority.

In the specific area of faculty salaries, Prof. Hatch said, Notre Dame is still within the range of established goals vis-à-vis the American Association of University Professors: the top 20%. Still, the

University has slipped a bit, making faculty salaries a necessary priority. They will remain a priority even though the budget will be pressed overall.

**5. Comments of Fr. Malloy, Part II:** Fr. Malloy said that he wanted to echo Prof. Hatch's comments about Prof. Kolman's extraordinary leadership of First Year of Studies. Finding her successor will be a difficult task. Notre Dame's high retention rate from the first to the second year is a visible marker of Prof. Kolman's success with first-year students.

Fr. Malloy also updated Council members on the status of Tariq Ramadan, the Swiss scholar who accepted an appointment to be the Kroc Institute's Luce Professor of Religion, Conflict and Peacebuilding but whose visa was revoked, without explanation, in late July at the request of the Department of Homeland Security. [See minutes of the Academic Council meeting of September 1, 2004] Fr. Malloy said that Dr. Ramadan has reapplied for a visa, and he believes that his application will receive a fair evaluation. He has no idea, however, when the review will be completed.

Fr. Malloy then said that he and Prof. Hatch would take any questions from Council members.

**6. Questions on endowment spending:** Concerning the budget discussion, Prof. Woo asked Prof. Affleck-Graves if he anticipated any real increase in spending from the endowment in the upcoming year.

Prof. Affleck-Graves replied that the endowment spending rate must be approved by the investment committee of the board of trustees as well as by the board as a whole. The current recommendation is something in the region of a seven percent increase in the endowment spending rate. He explained that an increase in the spending rate does not translate into an equivalent increase in dollars because there is erosion in the units needed to buy the necessary capital. Thus, the effect of the proposed seven percent increase in the spending rate will be, he hopes, at least three-and-a-half percent to four percent increase in actual spending, with the aim, long-term, to make the endowment payout—actual payout—at least match a proposed salary increase for faculty. Because there has been no decision yet on what the faculty salary increase will be, these two decisions are hinged together. He expects, however, that there will be some real increase in the endowment payout.

Prof. Affleck-Graves said that part of the reason that increased endowment spending is a possibility is that the University's investment team, led by Scott Malpass, vice president and chief investment officer, had a spectacular year in fiscal year 2004. The University earned 20 percent versus its benchmark of 15 or 16 percent. To date, out of top-rated educational institutions, Harvard alone did better at 21 percent endowment earnings.

A member asked about return on the endowment. It seems that Notre Dame does well when the market is up, he said, but he is not sure about rates of return when the market is flat or going down. Certainly, the last few months have been problematic.

Prof. Affleck-Graves replied that the University's stance on endowment returns is that it is a long-term investor. The advantage to that posture is that if an institution can invest its money for the long term, on average, it can realize much higher rates of return. Short term investors must take market fluctuations. Long-term investors, on the other hand, are rewarded for bearing market risks. Thus, most managers of endowment funds have been much more aggressive in their investments over the last 10 to 15 years.

As evidence of the change in the philosophy of managing endowment funds, Prof. Affleck-Graves said, thirty years ago, long-term investors bought bonds. Bonds, of course, were very secure, but they gave earnings of only four to five percent a year—in contrast to the stock market, where investors earn, on average, 11 or 12 percent a year. That number is an average, Prof. Affleck-Graves cautioned. Some years an investor might lose 30 percent; other years, gain might be as high as 50 percent. An institutional investor must have a policy that allows it to ride out those kinds of fluctuations, which is why the payout from the endowment has been a single digit percentage.

Prof. Affleck-Graves continued that the University was somewhat aggressive in endowment spending in the late 1990s, when the markets were very strong. Simultaneously, there were many important initiatives on campus—such as increasing the number of endowed chairs and directing more funds to financial aid. Many chairs tapped excess funds generated from the endowments, and so the University split chairs, which allowed it to get two

endowed professorships out of one endowed chair fund. Then, however, the downturn of 2001 and 2002 hit. Because the University had been so aggressive in splitting the spending in good years, there was not much of a cushion.

Now, Prof. Affleck-Graves said, even though the market was up 16 percent last year, the University is keeping back a little bit because even when markets are strong, investments in them are fairly risky.

In the long run, Prof. Affleck-Graves said, he expects the University to do quite well with its investments. It has a very well-balanced portfolio—one that has reduced its exposure substantially in U.S. equities—with a number of investments that should offer protection in any downturn.

Prof. Hatch asked whether it is true that in the last twelve months, Notre Dame's endowment has done very well as compared with those of its peers.

Prof. Affleck-Graves replied that historically, Notre Dame has been in the upper one percent of endowment funds. Among institutions of higher education, there are 30 endowments over a billion dollars. Notre Dame has consistently been in the top third of performers—whether examined in one-year, five-year, ten-year, or fifteen-year increments. Even in its worst year, Notre Dame's endowment was down only about eight percent.

Prof. Affleck-Graves continued that he believes Notre Dame has weathered the storm of the last few years. In particular, both 2001 and 2002 were difficult years for the economy. Unless the economy takes an extreme downturn, he said, his hope is that the University will not need to return to a situation of a decrease in endowment payout.

Returning to the discussion of endowment spending rate, Prof. Woo asked Prof. Affleck-Graves why erosion occurs in the investment units even when the market is quite strong.

Prof. Affleck-Graves explained: If an investor takes \$100 and puts it in a bank account that earns 10 percent, at the end of the year, he or she has \$110 to spend in addition to the original \$100 base. That situation should be thought of as 100 units of one dollar each. Now, contrast that with an investment situation: If an investor takes \$100 to buy 100 shares at \$1 each, and the stock market goes up so that each share is worth \$1.10, the investor still has \$110,

but no pay out. To realize a pay-out, the investor must sell one-eleventh of the shares, which means that if the starting point was 100 shares worth \$1 each, nine shares must be sold to gain a \$9.99 pay-out. That leaves 91 shares in the investment, although each share is worth \$1.10 (\$100 total). The share units of 100 have been reduced to only 91, meaning that rather than being worth one unit, each share is worth nine-tenths of a unit. That, he said, is what is called the erosion factor. In other words, when money is not invested in income-producing assets but in assets that appreciate in value, some of the assets must be sold each year to realize income.

**7. Committee work:** Before today's meeting, Prof. Linney assigned Council members to serve on either the Undergraduate Studies or Faculty Affairs committee, with six members serving on the Graduate Council [see Academic Council meeting of April 21, 2004]. Committee members met to elect the chairs of each committee and to set their agendas for the year.

(a) **Undergraduate Studies:** Prof. Preacher, elected chair of the committee, reported on the committee's deliberations and agenda of items for consideration in the coming year. The items include further review of the plan drafted last year regarding Advanced Placement credit, review of last year's work by the curriculum committee, examination of grade inflation, consideration of recommended modifications to the Honor Code, discussion of issues in international programs and programming, and discussion of the deliberation of a committee on academic and intellectual life in the College of Arts and Letters.

(b) **Faculty Affairs:** Prof. Robinson, chair of this committee, reported that the committee plans to consider two major areas this year: 1) assessment of teaching effectiveness - recognizing that this is intertwined with issues of grade inflation, use of the TCE, and availability of TCE data; and 2) review of the *Academic Articles* with regard to procedure and policy for dissolution and creation of academic programs.

(c) **Graduate Studies:** Prof. Kantor reviewed the restructuring of this committee and the relationship with Graduate Council. The major issues for attention this year include the report of the Graduate Studies Task Force, health insurance for

graduate students, and approval of graduate programs. Fr. Malloy thanked the members for their work and noted the importance of the committees in generating items for the Council's consideration.

There being no further business, Fr. Malloy

adjourned the meeting at 8:05pm.

Respectfully submitted,

Jean Ann Linney