President Adler called the meeting to order at 7:03 p.m. on March 14, 1990 in room 105A and B of the Memorial Union Building.

Roll: Twenty seven members/alternates were present. Absent were Martha Janners, Willie Melton and Terry Shipley.


Minutes of Meeting No. 172 were accepted with a correction to the results of the Senate voice vote on Proposal 1-89 to read "approved the proposal without dissent" rather than "approved the proposal unanimously."

President's Report

President Adler provided a written report (Appendix A - Available by Request from the Senate Office). In addition to the written report, President Adler informed the Senate that President Stein convened a meeting of Vice Presidents and several members of the Marketing Task Force. The procedures are moving forward to outline a strategic planning document that is part of the University marketing effort. We should hear more about how this is progressing over the next six months.

Dean Kunz presented a proposal to establish a Department of General Engineering (Appendix B - Available by Request from the Senate Office). We currently have an accredited Bachelor of Science in Engineering degree, but there is no department to house these students. Many of the service courses and general introductory courses such as graphics, statics or dynamics, introductory circuit theory, etc. which are required by several engineering curricula are likely candidates to be included in the new department.

President Adler formally thanked Vice President Stucky for providing lunch to Senators and Alternates at Jack Robinson's presentation on long-range facilities planning.

Vice President's Report

Vice President Tampas submitted a written report (Appendix C - Available by Request from the Senate Office). In addition he reported that the presentation made by Brigette Goold at the February 2 Board of Control meeting was not confrontational in nature. The concerns that she voiced were requests for information, and the Board asked for specifics so that they could be addressed at a future meeting.

Presentation by President Stein and Vice President Stucky on the Educational Support Institute

President Stein prefaced the presentation by stating that media reports of a confrontation between Brigette Goold and the Board of Control were blown out of proportion. No adversarial tone was adopted during Brigette's request for information.

President Stein presented background information about how the Ventures Group and the Educational Support Institute (ESI) came into being, and Vice President Stucky presented some of the financial aspects of ESI.

President Stein quoted from Putting Our Minds Together: New Directions for Michigan Higher Education (the report originally designating MTU as one of Michigan's four research universities) which recommends "allocation by the research universities of a portion of their endowment investments for venture capital purposes." Michigan Tech has accepted this challenge.

The Michigan Tech Fund is an independent nonprofit corporation which has as trustees two members of the Board of Control along with about 35 others. This is the arm that raises gifts of the traditional kind, money and things easily converted to money, for the University. The Michigan Tech Fund is independent of the University, but it was formed for the sole benefit of MTU. It cannot give resources to any one except the University, but it does not have to give them to Michigan Tech. The Michigan Tech Fund can hold resources for further growth.

ESI is exactly the same kind of an organization, a 501(C)(3) organization. ESI is also a non-profit organization which has trustees. There were three, but as of today there is only one, President Stein. ESI is the sole owner of the Ventures Group.

This separation of ESI from the University is important for three reasons. The first is to protect the University from the liabilities of doing business. If you control an organization you can be held liable for the consequences arising from business operations. There is an element of risk from operating any business, and the separation isolates the University from that risk. The second aspect has to do with the comfort of bankers that invest in those companies. Bankers would be very reluctant to invest into a company which is controlled by a political body. The Board of Control is appointed by the
Governor. If the Board was in control of ESI, the Governor could theoretically influence, by threat of non-reappointment, non-businesslike decisions for political reasons. The third reason was to get certain assets (non-cash capital assets raised to form ESI and the Ventures Group) out of the University Endowment Fund. If these companies were very successful and built assets of $100 or $200 million, it would be difficult to go to Lansing with a request for a new building when there was a large endowment fund for such a small organization. They could request that MTU use the money from the endowment fund rather than having the State pay for it.

The Board of Control does not control the Michigan Tech Fund nor does it control ESI. It does have influence, but it does not have control.

There are three benefits to Michigan Tech of the Ventures Group. It enables the University to fulfill its economic development responsibilities to the State and region. It enables the management of non-traditional gifts to ESI, basically operating companies and things that require daily attention. It enables the transfer and application of University developed technology into the private sector. Indirectly, it stimulates a healthy local economy providing for quality of life, provides jobs for graduate students, and has committed to fund a chair in the College of Engineering. The primary purpose of ESI is to develop, start, and enhance business.

Two examples of the 14 or 15 companies are the Ramada Inn and PCI which are quite different situations. The Ventures Group got into the Ramada Inn for one reason. The City of Houghton was looking for someone to take over the hotel which was in Chapter 11. This was an opportunity to in some sense repay the City for past cooperation and to enhance the quality of life in Houghton. The Ramada Inn had a heavy debt load, but is now breaking even. The hotel provides a good place for new recruiters and parents to stay when they visit the University.

PCI is a quite different situation. ESI owns about 22 percent of the company which was formed to apply technology developed by people at the University. PCI has the potential to employ a couple of hundred people, a large impact on the local area. This is an example of technology transfer and community economic development.

Vice President Stucky presented some financial material about ESI (Appendix D - Available by Request from the Senate Office). The Vice President covered three points: a review of the assets that were transferred from the University to ESI, the role of the University Endowment Fund in providing scholarships for students on the campus, and a review of the history of financial aid for our students.

The Michigan Tech Fund is a separate corporation formed in 1965 to be the main fund raising arm of Michigan Tech University. Most gifts for the support of MTU are really given to the Michigan Tech Fund as a corporation which in turn transfers those funds to MTU for the purposes needed. It now holds about $13 million in investments and receives about $4 million annually. Of the $13 million a little over $5 million are held in endowments for scholarships.

The first page of Appendix D traces the transfers from the University Endowment Fund to the Ventures Group and ESI. The University Endowment Fund is different from the Michigan Tech Fund. The University Endowment Fund is a result of donors who designated Michigan Technological University, which is legally a different entity from the Michigan Tech Fund, as a beneficiary in their wills. Various properties were placed in the University Endowment Fund for later transfer to ESI simply because this was a convenient place to account for those assets.

There were questions by students about the change in asset value of ESI. The total value of assets transferred was $26,034,795. Some changes in asset value reported by Ernst & Whinney are listed on page 2 of Appendix D. ESI changed auditors to Coopers & Lybrand who completely redid the financial statements for the previous three years. The net results of the Coopers & Lybrand audit are summarized on page 3 of Appendix D.

The table on page 4 of Appendix D shows the effect of the transferred assets on the University Endowment Fund as they passed through. Over a period of time those assets designated to go into an endowment fund (gifts and bequests to MTU) were placed in the University Endowment Fund. Other gifts and bequests for which the purpose was not designated have accumulated in the Endowment Fund as funds functioning as endowments. The sum of both of these funds held by the University are designated as scholarships.

Page 5 of Appendix D summarizes sources of student financial aid. The University Endowment Fund provided about $100,000 for financial aid from interest earned on the $1.14 million fund balance. The Michigan Tech Fund provided about $490,000 in financial aid.

The chart on page 6 of Appendix D shows the growth of restricted assets in the Michigan Tech Fund, and the chart on page 7 of Appendix D shows the growth of all University funded financial aid. The rate of growth of both the restricted funds and University funded financial aid exceed the rate of tuition increase.

There had been some questions about the loss of scholarship funds as a result of an investment in Great Lakes Investment I that the University made with funds functioning as endowments. A summary of the investment is included on page 8 of Appendix D. Dean Dresch indicated that the annual rate of return on investment should be 3.8 percent rather than the reported 4.1 percent.

A half hour period during which President Stein and Vice President Stucky answered questions from Senators and visitors followed the presentations.

Committee Reports
A. **Budget Liaison Officer** - No report.

B. **Curricular Policy**

Senator Bulleit reported the Committee's views concerning a proposal for a B.A. in International Studies submitted by Joseph Rollo (Appendix E - *Available by Request from the Senate Office*). The current proposal has reached an impasse and a modified proposal will probably be submitted in the future.

C. **Elections**

Vice President Tampas reported that Paul Nelson was elected to fill a vacancy on the University Committee on Academic Tenure which expires in August 1992. A motion to destroy the ballots was approved without dissent. A total of 34 ballots were not counted because the envelopes were either not signed or sealed.

D. **Faculty Handbook** - No report.

E. **Fringe Benefits**

Senator DePuydt reported that Proposal 1-89 has been favorably received by the Vice President and President. However, they need some more time to study the financial implications of the proposal.

The wellness program development is being explored by the Committee. Some options are weight loss programs, stop smoking programs, total fitness health program, a reduction in SDC membership fees, etc.

F. **Institutional Evaluation**

Davis Hubbard reported that a subcommittee has been formed to study paper recycling and use of recycled paper in response to the request presented to the Senate at the last meeting. The Subcommittee made a complete survey of paper products purchased through Central Stores. The Subcommittee has also looked into the sources and quality of recycled paper products. Further study by the Subcommittee will include an examination of some technical data about bleaching processes.

G. **Instructional Policy**

Senator Suryanarayana reported that he has received a copy of a memo from Mike Agin to the Provost concerning the Center of Teaching Excellence and the position of director. This will be considered at the next Committee meeting.

Provost Powers made a brief statement about changes in the University Course Change Committee. The Committee reviews and reports as the last instance in the examination of course change proposals, acting as veto authority, and finds itself in an uncomfortable and often difficult position. The Committee has become a fairly bureaucratic body in that 17 copies of all proposals are required. The Committee spends a significant amount of time acting as editor and copyreader for catalog copy. A staff position has been created to perform many of these tasks. In the records there is no basis for the existence of a Course Change Committee except in the Vice President's Office. However, there is in a Senate policy a call for a curriculum review committee. Therefore, after this academic year there will be no Course Change Committee. The present Course Change Committee will be made into the Senate mandated review committee.

**Reports from Affiliated and/or Ad Hoc Committees**

A. **University Planning Committee** - No report.

B. **University Computer Executive Committee** - No report.

C. **Quality of University Life Task Force** - No report.

D. **Teaching Award Procedure Committee**

Senator Boutilier stated that the Committee will report on procedures and recommendations for furthering the awards for another year if possible.

E. **Academic Calendar Task Force**

Senator Martin reported that the Committee has been meeting. For the record the Committee members are Pat Martin, Chair; Mark Plichta, Gary Lyon, Madhukar Vable, Randall Freisinger, and William Bulleit. There has been input from several individuals and departments. The Committee is still gathering information. The one constant theme is that any change be considered as a means to improve the academic educational environment rather than being merely pragmatic or a practical changes.

**Old Business** - None.

**New Business**

President Adler requested support by the University Senate for sponsorship of the address by Sergei Lange. Since the Senate has no budgetary authority any support would be in name only. A motion for the Senate to give moral sponsorship to the address by Sergei...
Lange was approved without dissent.

President Adler adjourned the meeting at 9:04 p.m.

Respectfully submitted,
Gary Lyon, Secretary