

**TO THE MEMBERS OF THE ACADEMIC COUNCIL
FORTY-FIRST SENATE**

**Summary of Actions Taken in Administrative Session
of the Steering Committee on behalf of the Senate
January 22, 2009**

A. Committee on Graduate Studies and Committee on Review of Undergraduate Majors (SenD#6115)

The Steering Committee on behalf of the Senate, approved the name change from “Spanish” to “Iberian and Latin American Cultures” for the Bachelor of Arts, Master of Arts, and Doctor of Philosophy degree programs in the renamed Department of Iberian and Latin American Cultures, effective September 1, 2009.

B. Committee on Graduate Studies and Committee on Review of Undergraduate Majors (SenD#6151)

The Steering Committee on behalf of the Senate, approved the name changes proposed for the Bachelor of Arts, Master of Arts, Master of Fine Arts, and Doctor of Philosophy degree programs in the Department Art and Art History, effective September 1, 2009

C. Joint recommendation from Committee on Graduate Studies and Review of Undergraduate Majors (SenD#6139)

The Steering Committee on behalf of the Senate, approved the recommendation from the Committee on Review of Undergraduate Majors to renew the degree-nominating authority for the Bachelor of Science, the Minor and Honors Program for the Interdisciplinary Program in Symbolic Systems for a five-year period from September 1, 2009 — August 31, 2014.

The StC on behalf of the Senate, also approved the recommendation from the Committee on Graduate Studies to renew the degree-nominating authority for the Master of Science for the Interdisciplinary Program in Symbolic Systems for a five-year period from September 1, 2009—August 31, 2014.

D. Committees on Graduate Studies (SenD#6149)

The Steering Committee on behalf of the Senate, approved the joint degree programs consisting of the Master of Public Policy and the Master of Science in Management Science and Engineering. As with all previous joint degree programs, the recommendation for both programs is for an initial period of three years, from September 1, 2009 through August 31, 2012.

E. Committees on Graduate Studies (SenD#6150)

The StC on behalf of the Senate, approved a new administrative approval process for joint degree programs consisting of a Master of Arts or Master of Science with Master of Public Policy degree, and allowing up to 45 quarter units to overlap toward residency requirements so the total program can be completed within 90 units, upon approval by the cognizant departments or programs and Schools, these do not require approval by the Committee on Graduate Studies or the Faculty Senate. These JDP programs can be approved by the Office of the Registrar and the Office of the Vice Provost for Graduate Education. This policy will be effective on the date approved by the Senate (1/22/09)

The Steering Committee on behalf of the Senate, also heard Annual Reports for 2007-2008, from the Committee on Review of Undergraduate Majors (C-RUM), and the Committee on Graduate Studies (C-GS).

**TO THE MEMBERS OF THE ACADEMIC COUNCIL
FORTY-FIRST SENATE REPORT No. 4**

Summary of Actions Taken by the Senate
January 22, 2009

1. Advanced and Baccalaureate degree candidates were approved for conferral January 8, 2009, by the Administrative Session of the Steering Committee on behalf of the Senate, in an electronic vote.
2. By unanimous vote, the Senate accepted the revised Policy on Non-discrimination in Research as recommended by the Committee on Research and detailed in SenD#6170

Rex L. Jamison, MD
Academic Secretary to the University
Professor of Medicine, Emeritus

**MINUTES OF THE FORTY-FIRST SENATE
OF THE ACADEMIC COUNCIL
January 22, 2009**

I. Call to Order

Professor Karen Cook, Chair, called the meeting of the 41st Faculty Senate to order at 3:17 PM. In attendance were 44 voting members and 10 *ex officio* members.

She welcomed Professor of Biology Elizabeth Hadly who is replacing Professor Deborah Gordon.

II. Approval of Minutes – (SenD#6161)

The minutes of the November 13, 2008, meeting of Senate XLI were approved.

III. Action Calendar

There were no items on the Action Calendar.

IV. Report on Degree Conferral for Autumn Quarter 2008

A. List of Candidates for Advanced and Baccalaureate Degrees conferred on January 8, 2009

Chair Cook announced that the list of Autumn Quarter 2007-08 Advanced and Baccalaureate degree candidates was approved for conferral on January 8, 2009, by the Steering Committee, on behalf of the Senate, in an electronic vote. The full list of candidates was previously sent to all senators as an email attachment.

This Steering Committee action on behalf of the Senate will be recorded in the minutes of this meeting that will appear in the January 28th Stanford Report.

V. Standing Reports

A. Memorial Resolutions:

Chair Cook welcomed Professor emeritus William Kays, to present a memorial statement in honor of his colleague Alexander Louis London, Professor emeritus, of Mechanical Engineering in the School of Engineering.

A. Louis London (1913-2008) SenD#6165

Alexander Louis London (better known as Lou London) was born in Nairobi, Kenya, 31 October, 1913. He died in San Rafael, California, 18 March, 2008, at the age of 94.

He graduated from the University of California in 1935. and in 1938 was appointed an instructor of Mechanical Engineering at Stanford.

In 1943, with the War well under way, he was given an officer's commission in the US Navy as an engineering specialist, and was assigned for duty at the Bureau of Ships in Washington, D.C., where he served for 3 years.

In September, 1946, he returned to Stanford as an Associate Professor. He brought with him two research contracts administered by the Office of Naval Research, and this was the start of many years of government sponsored research, and publication of many research papers generally in the areas of ship propulsion systems.

London was awarded the R. Tom Sawyer Award by the Gas Turbine Division of the American Society of Mechanical Engineers in 1977, The James Harry Potter Gold Metal in 1980, and The Max Jacob Memorial Award in 1984. He was elected to the National Academy of Engineering in 1978, and the Silicon Valley Hall of Fame in 1990. He retired from Stanford in 1978.

Madame Chairman, I have the honor, on behalf of a committee consisting of Professor Robert Eustis, Professor Robert Moffat, and myself, to lay before the Senate of the Academic Council a Resolution in memory of the late Alexander Louis London, Professor of Mechanical Engineering in the School of Engineering.

All present stood in silent tribute.

Chair Cook thanked Professors Kays, Eustis, and Moffat.

The full text of the Memorial Resolution will be published in the Stanford Report, January 28th.

Chair Cook welcomed Professor emeritus and former Dean, Al Hastorf, to present a memorial statement in honor of his colleague, Harold Leavitt, Professor emeritus, of Organizational Behavior in the Graduate School of Business.

Harold J. Leavitt (1922-2007) SenD#6169

Professor Hastorf began: You have a little written statement but I am going to say a couple of things about a gentleman who is a good friend of mine.

Hal Leavitt was the true New Englander. He was born in Massachusetts, graduated from Harvard as an undergraduate, went all the way down south to Brown for his master's degree, couldn't stand the heat so moved back to get his Ph.D. at M.I.T.

Hal was one of the first Ph.D.s for Doug McGregor at M.I.T., and for those of you who don't know you can ask the Chair of this body [Chair Karen Cook], Hal was the first student to work on what McGregor later called Theory X and Theory Y.

Hal also worked with Alex Bavelas, at MIT, and at Stanford.

Hal was the 11th and youngest child of his parents, and for those of you interested in birth order and intelligence my recently departed colleague, Bob Zajonc, Professor of Psychology, had a comment about such arrangements. When the older children are not competitors with you for attention, they become your tutors. And that clearly must have happened with Hal because he was a very, very bright guy and learned how to read early.

Hal was a pioneer. In 1958, he published the first book that had been done on managerial psychology, and which actually dealt with organizational behavior, not selection tests. Hal pioneered research on studies of organizational behavior, both experimental and process oriented.

He moved to Stanford with his wife Gloria, and when Gloria unfortunately died, about two years later, he married Jean Lipman-Blumen, who was a Professor in the Claremont College complex, and moved to Pasadena.

He was a fine fellow and a good friend to many of us—and on occasion, a very funny guy.

One final comment. He lived on Cooksie Lane on the campus, and for all campus residents, you'd better do some research [on the subject] Hank Greely can help you, by the way. You can tell them where Cooksie Lane is, can't you?

Professor Greely nodded: Right across from my house.

Professor Hastorf concluded:

Madam Chair, on behalf of a committee consisting of Charles Horngren, James March, Jeffery Pfeffer and myself, it is an honor to lay before the Senate of the Academic Council a resolution in memory of the late Harold J. Leavitt, the Walter Kenneth Kilpatrick Professor of organizational behavior in the Graduate School of Business.

All present stood in silent tribute.

Chair Cook thanked Professors Hastorf, Horngren, March, and Pfeffer.

The full text of the Memorial Resolution will be published in the Stanford Report, January 28th.

B. Steering Committee

Chair Cook announced that in the hour before the Senate convened, the Steering Committee met in an Administrative Session, acting on the Senate's behalf, to hear seven items from two committees that did not require the attention of the full Senate. Senators received the agenda for that session and were welcome to attend the meeting. The documents are available on the Senate website or from the Academic Secretary's office.

A report of the Actions taken in that session will be included with the minutes of today's meeting that will appear in the January 28th Stanford Report.

The Senate meeting, February 5th, is cancelled. The next meeting will be February 19th. The agenda includes a report from John Bravman, Vice Provost for Undergraduate Education, about several undergraduate issues.

On March 5th two colleagues from the School of Medicine will join Dean Pizzo to discuss programmatic plans for the new buildings in the School of Medicine.

C. Committee on Committees

There was no report.

D. President's and Provost's Report

Chair Cook invited President Hennessy to comment. He replied he would cede his time to the Provost who, he surmised correctly, would need all of it.

There were no questions for the president.

Chair Cook invited Provost Etchemendy, to present an update on the budget.

Provost Etchemendy commented, "The Steering Committee begged me to do this and then told me I better not take too long."

[Laughter]

The provost stated his aims were to describe 1) the impact of the financial crisis on the Consolidated Revenue (the overall budget), 2) the impact on General Funds (the funds budgeted centrally), 3) the immediate steps that have been taken and 4) the budget planning for Fiscal year (FY) 2010 (Sept. 2009 to August 2010) and FY 2011. He would end his presentation by discussing frequently asked questions.

Slides were shown with the presentation. They may be viewed at <http://budget.stanford.edu/>.

Impact of Financial Crisis on the Consolidated Revenue.

Consolidated Revenue: Endowment Payout. A bar graph was shown that depicted the investment returns for the endowment each year since 1964. In all but 8 years, the returns were above zero, varying from 2 to 38%. The variation in those below

zero was between -2% and -8%, until 2009 when it is estimated to skyrocket to between -20% and -30%.

The provost commented, “As you can see, in the last 45 years, we have had a total of eight years in which the investment returns were negative. And in the worst of those years—in 1974—the investment returns were minus 8%.

“...For this year, we're expecting anywhere between minus 20% and minus 30%. Of course we don't know what the rest of the year will be like. It could conceivably be worse. It could be better, but we will see. This is an unprecedented decline in our endowment.

“Investment income is projected to be the largest single source of revenue at the university—29% of our [consolidated] revenue is investment income; 28% comes from sponsored research. It used to be that sponsored research was the largest, and now this year, for the first time, we were expecting the largest source to be investment income.”

The provost explained that the impact of the decline in investment revenue will not be sudden because of Stanford's endowment payout policies, which smoothes the effect of volatility in investments. Instead, the loss of income will be felt over the course of a number of years. In particular, for this current fiscal year, 2009, for the most part, the endowment payout was fixed last year.

The impact of the financial crisis on FY 2009 will be from declines in expendable gift income and various other sources.

“The main impact, though, is going to be next year, FY 2010, when endowment income will start to drop. Our smoothing rule will ease us down. If we have a 25% drop in the endowment value, which is what we're assuming for planning purposes, next year (FY 2010) the endowment pay-out will go down by 7.2%.

“The following year, assuming that investment results return to normal, [that is] starting next September, we get about an 8 or 10% investment return—what we consider a normal investment return—our endowment income is still going to drop by another 7%, because that's how the smoothing rule works.

“If, on the other hand, next year is a bad investment year, [the decline in payout] will be worse. So the following year, we will feel a larger effect. But the assumption we're basing our planning on is a 25% drop in investment this fiscal year, followed by an eventual return to a normal year the following year.

Consolidated Revenue: Non-investment Sources.

For *sponsored research* the provost projected that the income would not change, but indirect cost recovery, an important source of general funds, will be down 1.3%, due to a reduction in the indirect cost rate. Later on the provost noted that with the new

administration, it may well be that part of the stimulus package will go to research, in which case our sponsored research will also rise.

“For *tuition room and board*, the rate is set by the Trustees... We haven't got a number for next year, but we are proposing a 3.5% increase in total tuition, room and board...roughly an average increase.”

The provost emphasized that this would not affect anyone on financial aid, because if a student is on financial aid, the way our financial aid program works, if the tuition goes up, the student grants go up to cover it. But the economic decline also causes a big increase in financial aid. Some students' families have more trouble meeting their share of tuition. The financial aid office recalculates their aid package and they get a higher aid package.

“We have already seen a \$7 million increase this year in financial aid, and we expect another 5 to 10% increase [which means] another 5 to 10 million in additional aid FY 2010.

Expendable gifts. “These are the gifts that we can spend right away [unlike] endowment gifts. We expect the expendable gifts to go down... We're seeing about a 25% decline in some of the annual funds, but we expect significant declines in all gifts.

Clinical revenue. “The only major source of revenue that we expect to hold up is clinical revenue, which we project will go up by 12%. That, of course, is helpful to the clinical departments in the Medical School.”

Impact on General Funds

Share of FY09 GF		FY06	FY07	FY08	FY09	FY10	FY11
51%	Tuition & Fees	\$348.1	\$367.2	\$387.9	\$402.0	\$417.0	\$431.6
14%	Unrestricted Endowment / Rental	68.7	70.3	94.8	105.5	102.2	97.5
6%	Unrestricted FFE (Tier I Payout)	21.3	29.0	45.0	44.8	0.0	6.5
12%	Indirect Cost Recovery	86.3	88.4	88.9	89.8	88.6	90.1
18%	Other	92.3	120.8	131.7	138.5	146.8	154.6
Total General Funds (non-fmla)		\$616.6	\$675.6	\$748.3	\$780.7	\$754.6	\$780.3
Continuing Expense Growth		573.8	620.4	706.3	758.5	802.6	857.8
Incremental Allocations		28.0	42.8	34.2	16.0	14.7	11.9
Total Expenses		601.8	663.2	740.5	774.5	817.7	869.7
Budgeted Surplus / (Deficit)		\$14.8	\$12.4	\$7.8	\$6.2	(\$63.1)	(\$89.3)

FY10 assumes -25% endowment returns 9/31/08-11/30/08; 0% returns 11/30/08-8/31/09
Dollars in Millions

Legend: Unrestricted FFE, Funds Functioning as Endowment, non-fmla, Non-Family and Medical Leave Act.

“General Funds are what pay most of your salaries. [The upper half of this slide] shows the various sources of general funds. Tuition provides about half of general funds. Unrestricted endowment payout, and other investment income total 20%. Indirect cost recovery provides 12%. And various other sources provide the remaining 18%.

“Where we're seeing the projected decline is in the endowment payout, which will start heading down for reasons just mentioned. The smoothing rule now starts taking us down. But then there's a major decline here in what we call the Tier I payout. which I will explain to you in a moment. We are expecting a slight decline in indirect cost recovery and an increase in the other sources.

“[The lower portion of the slide] shows the continuing expense growth...salaries go up; in some cases head counts increase; it is anticipated that utility costs increase, and so on... [The costs of] everything that it takes to run a university, continue to escalate.

Incremental allocations [include] the new debt service for new buildings that we are finishing or are in the process of building, and new operations and maintenance on those buildings.

“We are incorporating into this [category] an assumed \$5 million increase because every year there is at least \$5 million in things that absolutely have to be done—life-safety or compliance issues.

“The net bottom line is that in fiscal year '10, we expect a \$63 million shortfall, and the total shortfall we have to cut out over the next two years, FY 10 and FY 11, is \$89 million (not an additional \$89 million).

Tier I buffer.

“We have a large pool of funds called the *Expendable Funds Pool*. [This pool is basically] the cash the University has that can be spent at any given time. [For example it includes] gift funds to your department. A lot of you control funds from various sources and the University has central expendable funds. The total is about a billion and a half dollars. Just like any bank, we don't actually just sit there with that cash on hand; we invest it.

“What happens to the income generated from the investment of the expendable funds pool? For School of Medicine funds, it flows into the School of Medicine; for Graduate Business School funds it flows into the Graduate School of Business (GSB); and for the other funds, the income flows into university General Funds.

“We guarantee a 5.5% payout on the expendable pool investment results to these various parts of the budget.”

The provost described three situations depending on the rate of investment returns.

1) “In a normal year, when the actual investment returns are above 5.5% ...the excess goes first to fill up the *Tier I buffer*. When that reaches 35% of the Expendable Funds Pool, the rest goes into the *Tier II buffer*, which is a large buffer that we think of as our earthquake reserve...if an earthquake comes, it will be the main source of funds for rebuilding. It was, at the beginning of this fiscal year, about \$1.5 billion. The Tier I buffer was about \$800 million.

“These two funds [Tier I and Tier II] are funds functioning as endowment. They have payouts. The Tier I buffer pays out to university General Funds and Tier II pays out to the President's Funds. It's the source of the president's flexible funds.

“This is [what happens] in years when returns are above 5.5%. That's been the case for most years, including 2003 through 2007.

2) “The way the policy works when returns fall in the region between zero and 5.5% is that the guaranteed payout still flows [to the School of Medicine, the GSB, and General Funds] but the source of it is the investment returns *plus* the Tier I buffer. So that's why Tier I is called a buffer, because it buffers that payout. Some of the funds are taken out of the Tier I buffer and flow into that payout. This is what

happened last year. We had returns of 3 or 4%. The Tier I buffer paid out a little bit more to guarantee the 5.5% payout.

3) “In years when investment returns are below zero, all of the expendable fund balances go down. But we guarantee the funds, just like any bank. The money there is filled up from the Tier I buffer and, if necessary, the Tier II buffer.

“In a year when there are unprecedented investment declines, as we have now, that seriously depletes the Tier I buffer; in fact we expect if the declines are 25% it will *empty* the Tier I buffer, in which case that portion of payout to university General Funds will simply go away. We anticipate it will go to zero in fiscal year 2010.

“If things improve significantly over the year, then we will have a range of possible payments into General Funds better than the zero.

“[Returning to the] General Funds outlook, assuming negative 25% investment returns, we empty out the buffer; that results in about a \$40 million hit to General Funds over and above the endowment hit. The resulting shortfall for FY 2010 is \$63 million. For FY 2011, an additional \$25 million shortfall, for a total shortfall of about \$90 million.

“The FY 2010 shortfall is highly sensitive on the upside—that is, if investments improve, we will have more in the General Fund. If not, there will be less effect on the downside because we are already zeroed out.

“That's the good news.
[Laughter]

“...There's a lot of volatility [that] is just completely unprecedented, so it's very hard to plan.”

The Immediate Steps That Were Taken

“Virtually all units on campus have instituted hiring freezes for staff positions. In addition [the Schools of] Medicine, Humanities and Sciences and the GSB have either canceled or significantly reduced faculty searches this year.

“The GSB has already announced budget cuts, and ...has reduced staff significantly, laying off about 50 staff members.

“We have delayed, put on hold or canceled about \$1.3 billion in capital projects.

“Senior administrators have taken salary reductions. John [Hennessy] and I asked our senior staff whether, on a completely voluntary basis, they would like to take salary reductions. I am really proud of our senior staff and our deans. Virtually all of them took a 5% salary reduction. All of the deans did.

“We also announced in December an enhanced severance plan. Since we know the university is necessarily going to be laying off people, we wanted to do it as gently as possible. This is not a good time to lose your job. The details of that are [public], and if you want to ask what they are in the question period, I could go over them.

“We are currently considering an enhancement to the Faculty Retirement Incentive Program, the FRIP program. I won't talk about that because we still have the lawyers working on it and we don't have final details. But we hope to be able to announce something very soon.

“We are reducing the vacation accrual cap over the course of the next several years. We currently allow 480 hours of vacation accrual that people can just keep and then cash out when they leave the university. That is extraordinarily high in comparison to any other employer in the world.

“That costs money to the individual units—that is, people not taking their vacation. People should take their vacation. It's very, very important. And this is something I want to say to all the faculty. You should encourage your staff [to take] vacations. A lot of them see you working and not taking vacation, and they feel they can't take vacation. It is very important, particularly in a stressful time like now, that the staff take time off. A lot of our staff work 52 weeks of the year and don't take any vacation at all. That is not healthy.

“So for both fiscal reasons and humanitarian reasons, please try to make your staff take vacation.

“As you know, business class travel has been prohibited. And discretionary spending has been reduced in various ways.

Budget Planning for FY 2010 and FY 2011

“We plan to reduce 15% in General Funds over two years — 10% reduction for FY 2010 and another 5% in FY 2011.

“The budget group is looking across all schools and administrative units. The intention is not to have across-the-board cuts, with everybody getting a 10% cut. We are looking at proposals [from] the deans and unit directors in detail. In the end, we will make decisions that may allocate only a 5% [cut] to this unit but a 15% [cut] to that unit.

“We're also focusing on permanent sustainable reductions—reductions in the base budget. ... We may bring things back...but not until we can afford to add new permanent expenditures to the budget.

“We are discouraging local revenue enhancement plans unless [it can be] guaranteed they are sustainable, for exactly the same reason: The plans have to be permanent.

“We are looking at opportunities to substitute restricted funds for general funds. General funds are the hardest to come by at the University.

“We've asked all of the unit heads to bring in 5%, 7%, and 10% reduction scenarios in the context of a 15% two-year plan. For each of these units, the University Budget Group will allocate appropriate reductions, depending on how much we believe the reductions will hurt the core mission of the University.

“Units are encouraged to front load cuts. They are given flexibility to tailor a small salary program [for faculty and staff]. In the budget, we do have a small amount of money that we are assuming can be used for a faculty salary program and a staff salary program. But we are expecting that units will want to tailor those programs strategically. Many of them will simply use the salary program for promotions. Obviously, if you get tenure this year, it would be really mean if we didn't give you a boost in salary, right? Or if a staff member is severely underpaid in comparison to competitors in the outside world, that should be corrected. People at the lower end of the salary scale should be boosted as much as we can.

“[On the other hand] senior faculty—those of us here—ought not to expect any salary increase.

“Finally, all central funds that we could reduce, we have reduced.”

The provost concluded this sobering presentation with a reminder:

“Here is something that I want you all to remember. This endowment decline, while the worst on record, still only puts our endowment back to where we were roughly three years ago. We were a strong university then. We are going to come out of this a strong university. I am confident that these cuts will not end up weakening the university.”

Frequently Asked Questions.

1. *Why don't we just spend down the endowment?*

The provost began his answer by reminding the Senate that the endowment consists of about 6,000 individual funds from donors. All have specified purposes and all are invested together in a merged pool.

“In a good year—an ordinary year, the investment return [on the endowment] is above 5.5%. This allows us to pay out about 5.5% for the purpose specified by the donor and to reinvest the remaining earnings into the fund's principal so the fund can keep up with inflation.

“What about in a bad year when we have investment losses?...We have lost that money, so the principal goes down. But we still pay out 5.5%, or even more because of the smoothing rule, further eating into the endowment principal.

“This year, with a 25% decline in the endowment anticipated, we are still going to be paying out...about 7.5% because although the target is 5.5% the smoothing rule increases the payout rate... So the endowment is dropping by almost a third—25% from the fall in investments and another 7.5% in payout. [So the answer to the question—]’Why don't we just spend down the endowment?’ is: That's exactly what we do. That's what the payout policy does, but it does it in a responsible fashion.

2. *What does it mean when an endowment fund is under water?*

“A lot of you have probably heard of endowment funds that are under water. What are these?

“[With] most endowment funds that we hold, the payout can only come from past years’ accumulated investment returns. You can't cut into the principal of the original gift. Imagine that this [fund] has been around for a while and there's a lot of accumulated returns. [For some of our older endowment funds, for example], the original fund may have been \$30,000 but the accumulated return is \$500,000 because they have been invested for so long.]

“[On the other hand] suppose we have a recent fund. It has some accumulated investment returns, but then you have a bad investment year, and the value of that fund drops below the amount of the original gift. Since you can only pay out of accumulated investment returns, for that fund, the payout is zero. You can't legally pay anything from that fund. This problem particularly hits new endowment funds, which have not had a long time to accumulate returns.

“[For example] the Vice Provost for Undergraduate Education office has a lot of endowment income...from fairly recent funds. If you have a decline of 25%, many of those funds are going to be under water. Many will pay out zero, and that's a real problem.”

3. *Why are different parts of the university affected differently?*

“For example, the GSB has moved very quickly [because it is] facing a situation that's different from what, say, the School of Medicine is facing. Why is that?

“It's because the various units at the University have very different mixes of revenue. So here I show the mix of revenues for the seven schools. The General Funds portion of the seven school budgets is 24% for GSB, 35% for Education, 34% for H&S, only 7% for Medicine, only 7% for Earth Sciences. So obviously the reduction in General Funds has less of an effect on those schools that are less reliant on General Funds.

Source of Revenue	GSB	Earth Sci	Education	Engineer	H & S	Law	Medicine
Total Revenue (millions of dollars)	\$161	\$52	\$38	\$317	\$404	\$64	\$1,183
General Funds	24%	7%	35%	19%	34%	20%	7%
Expendable Gifts	12%	3%	9%	6%	2%	16%	8%
Endowment Payout	35%	53%	24%	16%	40%	57%	11%
Sponsored Research	1%	22%	27%	38%	18%	1%	33%
Exec Ed, Affiliates and Clinc. Rev	18%	10%	0%	9%	0%	2%	27%

(Note: Other sources not included)

[Note: this table was constructed from a series of pie-chart slides.]

“Expendable Gifts are also very different. They are very important to the GSB and to Law. They are being hit immediately because annual giving is going down.

“Endowment Payout is...very important to Earth Sciences, Law, H&S and GSB—so they are being hit by the endowment decline.

“Sponsored Research. Law and GSB have virtually no Sponsored Research. Medicine and Engineering rely on it heavily. That source of funds is probably going to be roughly level.

“Executive Education, Affiliates Programs and Clinical Revenue. These funds are important for the GSB (executive education); for Medicine (clinical revenue); and for Earth Science (affiliates).

“I have just shown you the mix of the seven schools, but the [mix of revenue sources for] other units varies widely as well. For an administrative unit, it's probably 100% General Funds, while for SLAC, it's 100% Sponsored Research. For the Hoover Institution, it's 100% endowment and annual gifts.

“So the impact of the decline in revenue is going to be different from one school to another.”

4. *Why aren't we canceling construction projects?*

“We are. We have canceled or delayed \$1.2 billion worth of projects. But any construction project that is currently in process, we are going to finish. It would be crazy, financially and every other way, to simply stop the projects that are under construction. In fact...the one good side of the downturn is that we are saving money on construction. We saved millions of dollars on the steel for the business school project because steel prices have gone down.

“We are going to finish projects that are currently in construction, and we're also moving forward on projects with significant donor funding. To donors who have given us the bulk of the cost of a building...we have an obligation to...build the building that they have funded (besides the fact that every project in the Capital Plan is an important project for some part of the University.)

“[In summary] we have cut our capital plan almost in half—at least temporarily. We will be building those projects later down the road. But that doesn't mean you are not going to see a lot of construction going on...These are essential projects, things we need to build in order to move forward as a university.”

5. *Why do cuts always come out of staff positions?*

“You will hear about layoffs of staff, and one of the things that people often wonder is why is it disproportionately hitting staff...The answer is that it's not true that all the cuts come out of staff positions, but for one thing, faculty reductions are generally achieved through attrition. To the extent that we are not filling faculty positions, that's a reduction in faculty... We don't fire tenured faculty members and we certainly don't fire assistant professors. They are the future of the university.”

“But the important point to recognize is that there are almost ten times as many staff as tenure-line faculty—about 11,000 vs. 1300. Secondly, most of the growth in the university has been in staff. In the last ten years, the staff growth has been 38%; faculty growth has been only 7%. (This does not include the Medical Center Line faculty, which has grown in number, but is funded by clinical income and driven by the clinical needs of the medical school and the hospital.”)

Questions from the Senate.

Chair Cook opened the floor for questions.

Professor Stephen Stedman had the first question: “I am curious what the university plans to do to assist the programs whose endowments are under water. You at one point said these losses will put us back to where we were in 2005, and there will probably be no lasting harm to the university. But many of the programs under water are the programs you are going to innovate with over the last three to seven years. [If that means zero revenue to these programs] at that point you have problems with commitments to the donors because you are not delivering the program that you

solemnly pledged to deliver. Secondly, it obviously impinges on innovation, and third it calls into question the credibility of the new programs. So I'm just curious to hear what the university plans to do to address the problem.”

Provost Etchemendy replied, “How we will address them will depend on the individual program and what would be required of the program. We will try to do what we can to buffer the effect.

He continued, “There's not a general formula for what will need to be done. In some cases you go back to the donor. Particularly with the new funds, you can go back to the donors and ask them if they will change the language in the endowment...and the terms of the gift to allow us to continue to pay out from those funds, in spite of the fact that it's under water. Donors sometimes are very hesitant to do that, and, indeed, holders of the funds are sometimes hesitant to do that.

“I actually think this worry is irrational. [Consider the example of] two \$1 million funds. One of them is a million dollar fund that is very old and there's a lot of investment returns; it started out at maybe \$500,000 and it's now at \$1 million. The other is [a recent fund] that is under water, started out at \$1.2 million and now it's dropped to \$1 million.

“The question is—should we pay out of one but not the other? Is there a rational reason for that? The answer is—no. It's equally reasonable to continue our very responsible payout policies in spite of the fact that [we] are paying out of the original principal in the under water fund. So we go to donors and say look, can we change this language to allow us to pay out in spite of the fact that the fund is under water?

“...You are right, this hits new endowment funds. The good part is that ...the donors are generally alive and around. And they are usually very supportive of the university.

“[Here's another] example: In some cases we have hired faculty or senior fellows from funds that are now under water. We are going to have to pay those salaries, so that money will have to come from somewhere. We have to figure out where it comes from.”

Professor Steve Boxer commented, “John, a week ago Professor Seb Doniach suggested in [a letter to] the Stanford Report that the university essentially borrow some money. And in fact, Harvard announced that they are doing just that. Could you comment on why we don't choose to do that?”

Provost Etchemendy clarified the question, “Well, we do borrow money. The [question is]—why don't we deficit spend?”

Professor Boxer agreed with the clarification.

“The provost resumed, “What is ‘deficit spending’? Deficit spending is when you spend in the current year more than the current year's revenue. And a surplus is when you spend in the current year less than the current revenue.

“Now, think of what we are doing. This year, 2008-2009, we are paying out from the endowment a billion dollars. You are an endowed chair; right? [Professor Boxer nodded.] You are still getting paid.”

The provost paused, looked around and asked, “How many of you are endowed chairs? You are all still getting paid.” There were few hands raised, certainly less than the number of hands expected, given the number of senators with endowed chairs [personal observation]. The provost commented in passing, “You are too shy.”

[Laughter]

“A billion dollars is flowing into the budget from the endowment. Where is that money coming from? Is it from investment returns? No. Remember, we have lost 25% on the investment returns. That is *deficit spending*. This year, we are using a billion dollars of the endowment and that is deficit spending.

“Why don't we borrow money? The reason Harvard has borrowed money—[and] Duke University as well—those are really liquidity loans. That doesn't have to do with overall wealth. Obviously, Harvard has, in spite of the drop, lots of endowment left. It's not because of reduced assets... It's because of what they have invested their endowment and expendable funds in. They need to have cash in many cases, simply for investment reasons, because a lot of their investments have calls that require them to produce further cash. For example, they have to add additional money into private equity investments. They are basically borrowing money to get the liquidity, because of the need for actual cash. Most of their money is locked up in illiquid investments.

“Could we do that? We could, but we don't have a liquidity problem, at least not yet.

“So the [answer to the question]—why don't we deficit spend—is we absolutely do deficit spend. A third of our budget this year is coming out of the endowment. That is, in effect, deficit spending.”

Professor Boxer followed up, “I think I understand what is going on at Harvard, but we could decide we need to spend money on something, like faculty... we could borrow money for that purpose, for example, to smooth things over, in a different sense.”

The provost rejoined, “So we could borrow money... and dig ourselves in deeper.” President John Hennessy weighed in, “I think that's the key problem. The money has gone away. If it was a temporary glitch where we had the money and we just

couldn't get to it for some reason, then this would make perfect sense, Steve [Boxer]. The problem is the money that was in the endowment—and a billion dollars of reserves—are gone or will be gone unless the market all of a sudden recovers. And let me know when that day begins, please. So that's the key issue.”

He continued, “...and if you borrow for operational use, then you can't borrow tax free. You have to borrow taxable debt. That's a 6% interest rate. Now you need an endowment earning 11½ % just to break even, because you have got to repay that interest in addition to meeting the endowment payout. That's the real problem.”

Provost Etchemendy added, “The suggestion is—why don't we borrow to kind of ease things through? And that's exactly what we are doing. The way the financial system of the university is set up is to do that. In 2009 [there will be] very little effect. We have lost the money, but [because of] the financial system we have in place, we will feel little effect this year. We will start to feel it significantly next year, and then that will continue...”

“If we were a company and our major revenue source had just been zeroed out..., believe me, we would have been done with major layoffs back in November. [Instead] this is happening rather slowly... We have plenty of time to plan and that's what we are doing.”

Chair Cook asked, “Could you say a little bit more why you think doing things like canceling searches at the junior level will not hurt the university going forward.”

Provost Etchemendy replied, “I don't know about this year, but it's probably a good thing to continue junior searches. Certainly, I hope our schools will be doing more junior searches next year. It may well be that this is the time to grab some really good talent. And I hope that will be possible. But this is a decision that's being made at the school level... Schools that needed to stop searches in process or needed to cut down searches in process had very good reasons for doing that.”

Dean Richard Saller commented, “I am not moved by the opportunity cost argument because the reality is we landed more than 70% of our junior offers last year. We are a great university that can attract [new faculty] any time we are in the market. That [opportunity cost] is a compelling argument for a third tier university that ordinarily couldn't land top talent. I don't think it's sustainable to freeze searches for a long time, [however]. I agree entirely with John [Etchemendy], [freezing searches] is a measure to try to get to where we need to be in a hurry, because that's where most of our costs are. But we'll have to make adjustments going forward to open up searches.”

Professor Blas Cabrera had this question: “In terms of faculty attrition, are there plans to modify the faculty retirement program?”

The provost responded in the affirmative. "...And that's being worked on by our legal office...the details will be out in a few weeks."

Professor Cecilia Ridgeway wanted to return to the question of the competitive edge that Stanford is trying to maintain in this difficult environment. "I think the point is well taken that we do pretty well ordinarily, so we have advantages that other places don't. On the other hand, any crisis like this is where the status is going to shuffle. A lot of 'just below us types' ...are trying to take the advantage—maybe spend down their endowment a little bit more—to try to grab the people that we are not hiring... I don't question the basic strategy that you outlined, but are people alert to this [possibility]? Because I think it would be dangerous to be sanguine."

The provost replied, "We actually are not seeing that... We're not seeing the kind of competition we normally get from Harvard, Yale, and so forth—at least not in arts and sciences. There's some [competition] in law and various other parts of the university.

"[As to the] next tier down, the universities that have significantly less endowment than Harvard, Yale, Princeton, and Stanford ... we are seeing them in crisis—a more crisis mode than we are in. Believe me, what we're doing here and the scale of our cuts [puts us] probably in the 98th, 99th percentile of universities in terms of the least severe cuts... We are not being hit as hard as most universities. I know from what we have seen in the Budget Group that the kinds of cuts that our departments and schools are having to make will not have an effect on the quality of the university."

Dean Philip Pizzo began by commending the provost on his presentation. He then commented, "One thing we have not talked about, [besides] conveying the message to faculty and staff, as you are doing and which is enormously important, [is the effect of the economy on] "...a group that I certainly am hearing a lot of anxiety from, and I suspect all of you are [as well are the] graduate students, particularly post-docs who are moving into the market, [when] the job market is frozen. I met with students from (the neurosciences interdisciplinary program a couple of days ago and this is a real fear factor. I think we have to worry not just about their immediate future and how we can buffer that but how this is going to affect our future pipeline of students and postdocs pursuing careers in science and academia."

Provost Etchemendy replied, "Post-docs are funded by sponsored research, one of the more stable sources of funding. But if a post-doc is ready to move into the job market, that's a different matter..."

Dean Pizzo continued, "...We are seeing [that] when the grants start to decline, post-docs, many of whom come from outside the country, get short notice that they are going to have to leave. We are hearing more kinds of legal things crop up. We need to anticipate whether some kind of guarantee...needs to be in place before we take on a post-doc and we're looking at that. Because post-doc appointments are made at

the faculty level, we don't have the same level of control as we do for students. But I think that the challenges of post-docs looking for a job in the current economic climate is a real source for anxiety.

Professor Saller interjected, “In H&S, we have...had to propose cutting replacement teaching budgets, but we would usually be more accommodating to the extent that people want to use replacement teaching budgets...to help their newly minted Ph.D.s survive the next couple of years in hopes the market will get better. There's obviously a limited amount we can do. But, Cecilia [Professor Ridgeway], I'm more worried about Phil's [Dean Pizzo] point that there's going to be a cohort of talent that will never be available in the future because they are going to get frozen out of an academic career.”

Professor Robert Dutton had a “twofold question, one is—at the highest levels, we have had people take salary reductions. Has there been any encouragement to have senior faculty do that?...I am certainly on record as saying I'd take a 10% [salary cut] as an endowed chair. And I think there's a bunch of people that would do it or be encouraged to do it...The second part [and] probably the more pressing question is—given that there is ten times the number of staff [as tenure line faculty]...are any of our bargaining units taking this seriously at their level?”

Provost Etchemendy replied, “Sure. The bargaining units are fully aware of it and have been very cooperative. We have three members of the bargaining unit [as guests] in the audience. We haven't had any salary discussions. In some cases, with SEIU [Service Employees International Union, Local 715], we will have contract negotiations in the summer, but they are certainly aware of the situation that the university is in and want to help. And I'm sure that that will color the discussions about the next contract. As for senior faculty, we have not asked [them] to either freeze salaries or take cuts in salaries. And there's a reason for that.” He quoted Dean Saller, “We have to think of where we want to be in five years...Do we want to have faculty or staff who are underpaid — who are paid less than they could be paid if they were elsewhere or less than they should be paid?”

“And the answer is, of course, no. The faculty, and the staff as well, are our most precious commodity. We are a people enterprise. And the people that we have, we want to make sure that they are paid competitively. Now...there have been cases where individual faculty have requested a reduction in their salaries, and it's up to their units whether they accept those reductions.”

Professor Harvey Cohen commented, “I was pleased that you are encouraging junior faculty searches to continue, because I do think they are the life blood [of this university]. I also am intrigued by the fact that...other universities are in worse shape. I think about the state universities and what bad shape they are in. And you mentioned some of the upper tier universities...Dean Saller sort of argued against this, but I actually think about strategic investments at a time like this...We know things are pretty bad, and we have to believe they will get better or those numbers

are going to go down to zero really fast. So if there's a way we can look at some strategic investments where there are programs that would be beneficial [such that] Stanford [will be] actually better in the future, even if it meant cutting a little more of what we do [now], I think that would be important. And I think it would send a very important message that we're in it for the long run.”

Provost Etchemendy agreed. “We actually do that. As part of the budgeting process, we do reinvestment and those reinvestments end up, particularly in times that are not flush, coming out of other parts of the university. But more important [is what] we are doing [with new gifts]. For example, last week the president announced a \$100 million investment in a new energy initiative, with some major, major gifts... We are still doing new things. We are going out after some major investment in neuroscience as well.”

Professor Anat Admati returned to the new retirement plan and asked for further details. “I’m a little curious—why lawyers? Are you afraid we will sue you or something?”

Provost Etchemendy shook his head: “No. Benefits programs are highly regulated by the IRS and by the Federal Government, because part of these programs are charged to the federal government as part of sponsored research grants. The regulations are far too complex for me to design the program.”

Professor Admati followed up, “When you said enhancement, did you mean that? Because [in the] short term, these will be more costly when you retire with inducements.”

Provost Etchemendy agreed, “We will be converting to a new program in the fall which we had actually planned to do anyway. Between now and the fall, there will be an enhanced retirement incentive for people who feel they are ready to retire but who are hesitant because they feel their retirement account has gone down so much they can't [retire yet]. This might help them.”

The provost added, in response to another question by Professor Admati, that the enhanced program will not take away options that people have now.

Professor Bendor had a follow-up to Professor Boxer's question. “The overall strategy you presented is sweet and reasonable in a qualitative way— I have no qualms about it at all. But quantitatively, as you pointed out, this is a historic drop, and presumably, rules like the smoothing rules— are calibrated historically, not with a drop of this magnitude in mind. So why should we feel confident that the quantitative [estimates and calculations], the percent reductions for fiscal year 2010 and 2011, are the right ones, rather than too deep, especially in light of the ideas that have been put forward?”

Provost Etchemendy responded, “Let me answer in a couple of different ways. One is that the smoothing rule automatically adjusts even to a large quantitative drop. For example, our payout rate on the endowment this year is higher than it has ever been... That's because although we have a 5.5% target rate, when the endowment goes down, the rate goes up a little bit. In this case, it's gone way up. We're paying out closer to 8%. So it automatically does that kind of adjustment.

“Now, what about additional buffering? That's the sort of thing that the University Budget Group is looking at. We're looking at each individual unit and what they are going to have to do in order to put together their budget. There will be some buffering, both in the form of telling some units you don't have to take a 10% cut; we think you should only take a 5% cut because these are cutting into the bone, and there will be cases where we have to buffer financially by adding additional funds to allow a unit to make it through the next two years.

“But I assure you that most units are able to take the 10% cut without a problem... If we were to say—‘This is an awful big drop. Let's borrow another \$500 million and throw it into the expenditures for fiscal year 2010 and buffer it even more...’ that would just be irresponsible. It would be just spreading out money in cases where it's not needed. That's why we are looking at individual units.

Professor Bendor countered, “Well, a \$500 million increase might be irresponsible, but \$100 million might not... It's not obvious that drawing it down by one billion dollars is just the right amount.”

Provost Etchemendy responded, “It would be irresponsible to borrow \$100 million and spread it out like peanut butter to ease everybody.”

President Hennessy added, “And it only solves the problem for one year. If you borrow \$100 million, let's say, and throw it in the endowment and then use the payout, it's only \$5 million a year. It's a drop in the bucket compared to the scale of the university.”

Professor Malcolm Beasley noted, “Also, there's the fund balances in schools which are not in your figures.”

The provost replied, “We have accumulated fund balances in all the schools of well over a billion dollars... We're not talking about spending that down. That's something that the individual schools obviously will decide, I hope responsibly, to bring into play.”

Professor Eric Shaqfeh commented, “In the context of comments... that most people believe these cuts could be made with a long-term strategy in mind, and in the context of the idea that [one should] never waste the opportunity of a financial crisis, are the units being encouraged to make strategic cuts versus peripheral cuts? I have seen some of the engineering [cuts], for example, because I am in the engineering

school, and they are a bit peripheral [while] the harder strategic ones are postponed. Are they being encouraged to do strategic cuts?”

The provost replied, “Absolutely. Most of the units are doing very strategic cuts... If you look at the health of the institution, many of these cuts are [those] we probably should have made five or ten years ago. So yes, many cuts are strategic. Not all of them.”

The last question of the provost came from ASSU undergraduate student, Stuart Baimel: “I want to ask a difficult question. How do you define the conditions under which things will return to ‘normal’? When will hiring freezes end? When will staff be hired again? When will faculty searches continue? And what will it take for things to return to normal?”

Provost Etchemendy replied, “When I talk about things returning to normal, I meant that in a very specific sense from an investment standpoint: We expect that our investment returns on average will bring in about the 9.5% per year. That’s how the spending policy was designed, with that in mind. So if [the economy starts to recover] then the budget will start to recover after FY 2011. It won’t radically pull back up. We aren’t suddenly going to have a 25% rise in our endowment.”

Chair Cook clarified the provost’s answer: “So returning to normal is a good thing. Thank you, John.”
[Applause]

Chair Cook: “I think we appreciate both the depth of the presentation and the transparency with which all of these issues are being discussed. So thank you.”

VI. Other Reports

A. Committee on Research: Revision of the Policy on Non-discrimination in Research Agreements (RPH 10.4) (SenD#6170)

Chair Cook turned to the report by the Committee on Research (C-Res) which has recommended a substantial revision of the Policy on Non-Discrimination in Foreign-Sponsored Research Agreements (Research Policy Handbook Section 10.4). A cover memo and red-lined version of the revisions of the current policy were distributed to members of the Senate.

Chair Cook introduced Professor Stephen Monismith, Chair of C-Res. Also in attendance were Vice Provost and Dean of Research Ann Arvin, Professor Arthur Bienenstock, Special Assistant to the President for Federal Research Policy, Deputy General Counsel Tom Fenner, Assistant Dean of Research Ann George, and committee members Professor David Leith, Professor Parviz Moin, graduate student Nate Chambers and postdoc Johan Kers.

Professor Monismith introduced the topic by providing some background. The issue arose in connection with a grant from the Department of Homeland Security that

included a restriction that the participating students must all be US citizens. The grant was designed to be a work force training grant focused on a specific set of problems, but the basic intention was to have trained people who could work at national labs, which usually requires US citizenship.

Professor Monismith explained, “There were a lot of...twists and turns in this particular case. But...when the Dean of Research looked at [Stanford’s] official policy, what she found was a policy from the late '70’s that basically said one couldn't discriminate in foreign-sponsored research.” Professor Monismith noted that the University has a number of policies that stress the principle of openness in research, and that prohibit discrimination in the conducting of the University’s business. “So we thought we should have a clear statement of this non-discrimination in research, whether foreign-sponsored or not, and...deal with the citizenship issue more explicitly.

Professor Monismith described the first section of the revised policy as divided into three parts. The first part states the basic principle of nondiscrimination. Stanford doesn’t discriminate in employment, research agreements, and in educational programs on any basis prohibited by law.

The second part states the general principle that Stanford does not limit participation in research activities on the basis of citizenship.

The third part states the general principle that Stanford will not enter into research agreements which permit discrimination on the basis of citizenship.

Section Two of the revised policy then states five circumstances in which exceptions may be considered in regard to permitting citizenship restrictions. They are:

- A. Citizenship restrictions established by training grants, scholarships or fellowships.
- B. Citizenship restrictions for “early career”-type awards. These are similar to (A) but are for individuals within a certain period after their doctorate or initial academic appointment.
- C. Citizen restrictions in foreign-sponsored research agreements. [See the following discussion.]
- D. Citizen restrictions imposed by export control or other regulations. [See the following discussion.]
- E. Other circumstances. [See the following discussion.]

Professor Monismith said that a guiding principle “...is that we are an international university. We take students from all over the world. We want the best and brightest here. We are filled with people who were foreign students who came to the USA and stayed. So it [—free access to research and training in research—] is an important aspect of who we are.”

Professor Monismith pointed out a conflict which is “...we ban limits on *participation*, yet in fact if we allow *funding* limitation, it can become a de facto limitation on who can participate. So the conclusion...is we should not allow research agreements to have limits on citizenship as the principle.”

Here a practical issue arises: “One of the biggest sets of grants at Stanford is the NIH traineeships which require trainees to be US citizens. However, these are grants to Principal Investigators [P.I.'s], not to students, and the grants have no statement of work, [i.e., they do not specify the research to be done]. They essentially amount to a grant of fellowships to a group of P.I.'s or to departments. They differ in this way from the NSF [National Science Foundation] and NDSEG [National Defense Science and Engineering Graduate] fellowships, or other similar graduate fellowships. The key issue is there is no statement of work associated with NIH traineeships, which is good. OMB Circular A-21 actually says that traineeships aren't reimbursable. “The usual goal of training grants like [those of] the NIH is work force development... We want a cadre of people in the United States who can work in various areas that are in the national interest.

“The second and more general question about the principle is—should we limit what funding sources we have that support US students? The flip side of not banning citizenship limits is that it presumably allows instances where we could support US students. So it asks the question— isn't it better to support some US students rather than insisting on the principle of banning grants with citizenship limits—and funding nobody (assuming that would be the tradeoff)?

“The third issue that we [C-Res] discussed—and Artie Bienenstock will talk a little bit later about—is the question how will this play in Washington... We are seeing...more and more interest by the government—exactly what level of government is not clear—in having citizenship limits ...If we enact this policy, we will draw a line in the sand saying we don't believe [accepting grants that ban individuals based on citizenship] is the right thing to do. One way of viewing this [Non-Discrimination in Research Agreements] is that it may...stop this trend [toward limitations based on citizenship].

“On the other hand, Artie kept asking us—how do you explain this to Congress, saying you were willing to accept the NIH traineeships but you are not willing to accept these kinds of grants that have similar work force goals? Here we are...hoisted on our own petard in that funding for agencies like NSF is sold partially on investment in the work force.

So that seems to be the third leg of this issue [of limitation with regard to citizenship]. One, the principle; two, the practical thing [we now accept limitations in some circumstances]; and, three, how does it look in Washington. This was the gist of our discussion over the last quarter. We came up with a policy that states the basic principle and carefully delineates the particular exceptions that we are willing to allow— traineeships, things without statements of work, and early career awards.

Professor Monismith then described the problem which arises when a research grant from a foreign country may not in itself have a direct limitation on certain citizens, but indirectly does have such a limitation because carrying out the research requires entering the country and that country bans certain citizens from entry. An example is a research grant from Saudi Arabia, a country that bans entry to Israeli citizens. Accepting such a research grant would be prohibited if it basically affects the ability of an individual to materially participate. If you can't fully participate in the work because you can't go somewhere, then that grant is unacceptable because of Stanford's policy on openness in research.

“We also included a policy that allows unforeseen circumstances to be [considered] by the Dean of Research on a rare...case-by-case basis, called clause E... We spent much time discussing this issue. [Professor] Parviz Moin will give his view on this, having great experience in this area.”

Professor Monismith said that the present version was accepted by C-Res but there were dissenting views. One dissenting view was that it's important for Stanford to be able to accept a wide range of grants for students, including US students, a particularly important group of students. We should not ban grants that have citizenship limitations. The other dissenting view was on the opposite side of the spectrum: We should not have any exceptions to banning grants with citizenship limitations. We should strike clause E. That is Professor Moin's view.

Professor Monismith asked Professor Bienenstock to comment.

Professor Bienenstock commented, “I am really quite uneasy with this policy [the revised policy]. While it appears to be a policy on nondiscrimination and citizenship it is, in reality, quite different.

“What it says to the agencies is the following: ‘If you want to restrict the students that participate in a research program, you must do it by separating out the research side and the traineeship side in the way that NIH does it.’ So we're not, in fact, arguing over principle. We are arguing over the contracting mechanism that's used to provide the funds to the university.

“Why am I uneasy about defending that? More likely the President will have to defend it or the Dean of Research. I'm uneasy because let's take the particular case with which we have had to deal. How do we explain to a congressional committee that we are prepared to take NIH funds that limit the citizenship [to US citizens] but we are not prepared to take funds from the agency that has responsibility for ensuring that no nuclear weapons come piece by piece into the United States? That was precisely the agency with which we had to deal.

“That agency knows that the research in that area will go on at the national labs and that nuclear weapon secrets will have to be revealed to the people involved in the

research. By normal US standards, they will have to be US citizens to work on that research. “How do you explain—what principle do you apply and state—to such a committee or to the newspaper or to the public that, on the one hand, you will accept it [citizen limitation], and on the other hand, you won't, just because of different contracting mechanisms?”

“I find the proposal nevertheless acceptable because there is that escape clause at the end. And in the rare circumstances where an agency like DHS (Department of Homeland Security) thinks it must restrict on the basis of citizenship, the dean or deans involved would have the opportunity to consider the merits of the case.”

Professor Monismith asked Professor Moin to speak.

Professor Moin noted, “I objected only to [clause E]. And I encourage you to take a look at that.”

E. Other Circumstances

In the rare event that (consistent with applicable law and with the principle of freedom of access to and participation in research) other circumstances arise in which a Principal Investigator wishes to request an exception to the nondiscrimination policy defined here in regard to citizenship, that request shall be sent for review and preliminary approval to the faculty member's school dean, and shall then be forwarded to the Vice Provost and Dean of Research for his or her determination.]

“What this section says, first of all, I think, is vague because it does not provide examples where the dean of research would be allowed to make exceptions. It just says in rare circumstances, the Dean of Research can make exceptions...I am all for the Dean of Research to be empowered to make exceptions on all policies having to do with research, and the rest of the document. [But] I don't think the question of citizenship should be singled out.

“The reason this [policy was revised]...had to do with the request from the Department of Homeland Security [DHS] that students [who are] paid by this grant [and] because of the [likelihood of] speedy hiring by the Federal Government after their graduation...should be [US] citizens.

“I am not about to...enumerate throughout the history of the national labs and science...in this country, what the foreign nationals who have come here...have contributed to the federal research programs, the space program, the national labs, et cetera. But what this [clause E] does, as far as I'm concerned, is limit the principal investigators [from] selecting the best people available to do the research.

“Selecting the best people to do the research without regard to race and citizenship I think would be good for the Federal Government. It is the way we have been doing

business—bringing the best talent from all over the world to participate in research, and the vast majority of them stay in this country and [continue to] contribute.

“Our dean of engineering came from Canada. He was supported by the federal research funds. I have [similarly been supported as have] a number of other people...And the process has worked.

“The process has been that by bringing the brightest minds, you get access to the best research...and then after that [they] go and pay [their] dues, become a citizen in four or five years, and then [they] go and work for the Federal Government, if [they] wish to.

“We have all been under pressure from the Federal Government. I testified in front of the House Science Committee recently about this notion that we mix up traineeships...to find the best people to do the research, irrespective of where they come from...I think the taxpayers [who] provide traineeship funds are entitled to ask that the citizens of this country be trained and become part of the work force...such as the post office, that’s fine. But telling P.I.’s that they cannot get the best people to do their research is an infringement on their ability to do research.”

Professor Monismith invited Dean Arvin to comment.

Dean Arvin commented, “As you can see, this has been a complicated matter. I wanted to put it in context that it has been a longstanding practice that we do not accept research agreements with these kinds of restrictions. So it was much to my surprise...that we didn't have a policy. So I felt it was very important to have a faculty discussion of whether we should have a policy.

“...we have training grants where we do accept restrictions...Basically we placed ourselves in a position where we have made an accommodation. Why did we make the accommodation? In part because our research grants agreements [did not have] these restrictions. Therefore, we could expect to support graduate students regardless of citizenship [from our research grants] and we were not squeezed.

“Fundamentally, the most important policy we have...is our openness in research policy, which means we do not restrict participation in research agreements. We can identify unrestricted sources of money to support trainees and we have relied on this structure of the research grant agreements to give us flexibility. It is the pragmatic aspect of where we find ourselves, but those are things to highlight.

“Now...what happens if we become more constrained on the side of our research agreements? ...We need to pay careful attention to that, because we'll lose that flexibility and we will not be able to go forward as we have been.

“We do not necessarily hear from our funding agencies that they want to go in this direction.

“We can deal in a pragmatic way with these situations as they come up, case by case. Should we make a rare exception? If we take that stance, I think we can present a straightforward view to the funding agencies that it would be a rare exception where we would accept a research agreement with a citizenship restriction. As long as we're sending out a very clear message on that point, we can, I think, live with the accommodation we are making...”

Professor Bienenstock added, “I want to make one thing clear. Obviously we were unhappy with this Homeland Security restriction. I did go to [the people in] Homeland Security, and they stressed they will rarely use this approach. They also recognized the importance of our science and technology program. Now, things will change in Washington, as we are well aware. But certainly, I could go in front of a congressional committee and say, look, we thought about this long and hard. We recognize there are rare circumstances where we may want to place such a restriction. We put it in the policy just for circumstances of that sort, and the Dean has the discretion to use it when appropriate. Without such a clause, I think we would be in big trouble.”

Professor Andrew Fire commented, “I'm glad this discussion is happening because it comes to another question related to the NIH training grants. In the biosciences we are in a position where de facto, it is extremely difficult for us to accept students who are not citizens because they are not eligible for the training grant. But they are eligible for SGF fellowships [Stanford Graduate Fellowships].

“I think one message that is valuable...would be to foundations and governments... interested in having their students train at Stanford. [The message is that]...all of those educational opportunities [offered by the training grants limited to US citizens] will be available to anybody coming [to Stanford supported by] other types of funding....It would send a message that if China [or any other country] wants to train a cadre of geneticists they can send them here, and, if they meet the admissions requirements...they will get the same training that would [be provided by] a training grant....[It would stimulate]...other countries and NGO's [non governmental organizations]...to [provide] this kind of funding.”

Professor Lanier Anderson commented, “I support this change to the policy, but I don't love the way it's presented... It seems to me that the exceptions are not merely pragmatic accommodations to the necessity we need to be able to accept these important sources of funding... There are also principled reasons to accept those exceptions.

“It's an important function of the government to ensure a certain kind of work force training for the public good and the university wants to be able to contribute to the public good. Indeed, sometimes when certain US Senators get excited about it, it becomes important for us to be able to point to ways in which the university

supports the public good. If the government is willing to frame its grants as work force training efforts, then we are willing to accept the citizenship requirement.

“When they want... to get the most expert minds on a particular project with a definite work description, then we are an international university [and] we will get the best minds from wherever they are. That's the principle of openness in research. Both those two principles have to be accommodated in this policy. I think we can defend ourselves to the government on principled grounds, not just on pragmatic grounds.

“As for the policy... it sounds to me like the people on the committee who disagree are in the following situation: There are some people who think this policy is acceptable as long as there is clause E, although they are not happy with it, and there are people who think that the policy is necessary, although they are not happy with clause E... If that is the situation, then it seems to me that the Senate, given the amount of thought the committee has obviously put into it, should accept that Clause E is the right point of balanced compromise.”

Professor Monismith responded, “First of all, I should tell you, the [C-Res] vote for this version was seven to three. Two votes were against the policy in this entirety, and one was against clause E. The gist to me really was clause E was the compromise point. It was the thing that said, ‘that this is workable’. To someone with an engineering background [like Professor Monismith], ‘workable’ is always high on our list.

He continued, “I have been going to Singapore, and on a recent trip, the front page of the Straits Times included an article stating the aim of Singapore leaders was to harvest intellectual capital by bringing the best from all around the world to Singapore, educating them there and keeping them there. Hopefully that's the view that will come through with the US government.”

President Hennessy commented: “Obviously there is the opportunity for a collision here. Imagine that an agency puts out a research program and says only US citizens can be paid or permanent residents can be paid. We now have a faculty member who will come in and say I want to apply for that research grant. We have to anticipate [that possibility.] We now have a clash of policies between the policy that allows faculty members to get research money from anybody and this policy. So that's something we should anticipate.

“Finally... you mentioned export control. One thing the DHS could have done is to say we expect that this research will be deemed subject to export regulations, which effectively could prohibit international students from working on it. But that would still be acceptable because it clearly meets our openness. It's not classified research, I guess.”

Dean Arvin clarified the issue: “The way we have handled those situations...and fortunately there have been very few, is to [refer] to our policy on openness which says that as long as everyone can be involved in the intellectually significant aspects of the project, then if one individual may need to have some small kind of involvement that isn't common to all, then we would say if the intellectually significant aspects of the project are open and participated in by everyone, we would accept it.”

Professor Moin objected, “The ‘intellectual participation’ [phrase] de facto means that foreign nationals cannot participate intellectually unless the Dean of Research...is going to allocate funding so that they can participate, because they can't really work for free.”

Provost Etchemendy noted, “Realistically, if a student is on an SGS fellowship, he or she can work on it.”

Professor Moin observed, “I have worked with the Federal Government for almost 30 years and have dealt with this kind of pressure from Washington from time to time. It may be the byproduct of the previous administration. But I think if you make an exception—if the clause E is actually put into effect and we do make exceptions—I think we'll have a domino effect. I think the Office of Scientific Research will be next, the Office of Naval Research will be next and so on.

“The question is—who has started all this? I don't know who in Homeland Security did. Is it the policy of the Homeland Security or is it [a decision of] mid level management that it will be easier for us to hire these folks if they are citizens to begin with? If we make these exceptions...I think you are making it too easy for the government. I think it is important for us to send a message that we do not discriminate based on citizenship. People can come for free inquiry here and teach the government to look [and ask], is this the time that you staple a green card or a citizenship to every Ph.D. granted in this country? 55% of all Ph.D.s granted in this country in science and engineering are to foreign nationals.”

Chair Cook interjected, “I think there is a large set of issues here, but this is a Stanford policy that allows us to move forward and we can send messages in other ways as well.”

Professor Andrea Goldsmith commented, “I think it's very important for us to have a policy on this. First, there are more barriers to foreigners just coming to this country to study and this...sends a message that we don't want to discriminate. For our own competitiveness, with the opportunity cost of universities in Singapore, China and India, if we make it hard for people to come here, to work on the most interesting work, then we are going to lose top people.

“Do we know what other schools are doing on this issue? Is there a possibility to get together and go to Washington and try to influence policy, not just at Stanford alone but [with] universities who are facing the question.”

Dean Arvin replied, “Our peers have such a policy and we somehow didn't. Your point is absolutely right—that if we did find ourselves under pressure from agencies doing their domino thing...we would go as a group of our peer institutions and try to explain these issues and their very detrimental consequences.”

Professor Pat Jones, noting what the university does, and even what the new administration does when it doesn't know what the effect of the new legislation will be, is to request a review after a period of time. She therefore recommended that the motion to approve the revised policy to be revised as follows:

“That the Research Committee review the implementation of this policy in light of funding trends and report back to the Senate in three years as to how it's being implemented.”

The motion was seconded by Professor Gilbert Chu.

Chair Cook called for a vote.

The amendment was passed by unanimous voice vote.

The original motion came moved and seconded by the Committee on Research to approve the revised Non-Discrimination in Research Agreements as amended.

Chair Cook called for a vote.

The amendment was passed by unanimous voice vote.

Chair Cook thanked Professor Monismith and the members of C-Res.

VII. Unfinished Business

There was no unfinished business.

VIII. New Business

There was no new business.

IX. Adjournment

A motion to adjourn was moved and seconded. The Senate adjourned at 5:16 PM.

Respectfully submitted,

Rex L. Jamison, MD
Academic Secretary to the University

January 22, 2009
Meeting of Senate XLI
RECORD OF ATTENDANCE

Name	Unit
P Admati, Anat, <i>Graduate School of Business</i>	01
P Aiken, Alex, <i>Computer Science</i>	04
P Anderson, Lanier, <i>Philosophy</i>	08
A Applebaum, Mark, <i>Music</i>	08
P Arvin, Ann, <i>Vice Provost & Dean of Research</i>	<i>ex officio</i>
P Baker, Keith, <i>History</i>	07
A Bambos, Nicholas, <i>Management Science and Engrg</i>	04
A Beach, David, <i>Mechanical Engineering</i>	04
P Beasley, Malcolm, <i>Applied Physics</i>	06
P Bendor, Jonathan, <i>Graduate School of Business</i>	01
P Bent, Stacey, <i>Chemical Engineering</i>	04
A Berek, Jonathan, <i>Obstetrics & Gynecology</i>	13
A Berger, Jonathan, <i>Music</i>	08
A Blau, Helen, <i>Microbiology and Immunology</i>	12
P Boardman, Gregory, <i>Vice Provost for Student Affairs</i>	<i>ex officio</i>
P Boxer, Steven, <i>Chemistry</i>	06
A Boyd, Stephen, <i>Electrical Engineering</i>	04
P Brandeau, Margaret L., <i>Management Science and Engrg</i>	04
P Bravman, John, <i>Vice Provost for Undergraduate Education</i>	<i>ex officio</i>
P Buc, Philippe C., <i>History</i>	07
P Burchat, Patricia, <i>Physics</i>	06
P Burke, David, <i>SLAC</i>	10
P Cabrera, Blas, <i>Physics</i>	06
A Callan, Eamonn, <i>Education</i>	03
P Camarillo, Albert M., <i>History</i>	07
P Carstensen, Laura, <i>Psychology</i>	07
P Chang, Gordon, <i>History</i>	07
P Chu, Gilbert, <i>Medicine - Oncology</i>	13
P Cohen, Harvey, <i>Pediatrics</i>	13
P Cook, Karen, <i>Sociology</i>	07
A Drell, Persis, <i>Director of SLAC</i>	<i>ex officio</i>
P Dutton, Robert W., <i>Electrical Engineering</i>	04
P Eckert, Penelope, <i>Linguistics</i>	08
P Elam, Harry, <i>Drama</i>	08
P Elam, Michele, <i>English</i>	08
P Eliashberg, Yakov, <i>Mathematics</i>	06

Name	Unit
P Etchemendy, John, <i>Provost</i>	<i>ex officio</i>
P Fire, Andrew, <i>Pathology</i>	12
P Goldsmith, Andrea, <i>Electrical Engineering</i>	04
P Greely, Hank, <i>Law</i>	09
A Gumpert, Patricia, <i>Vice Provost for Graduate Education</i>	<i>ex officio</i>
P Hadly, Elizabeth <i>Biology</i>	06
P Harris, Jerry, <i>Geophysics</i>	02
P Hennessy, John, <i>President of the University</i>	<i>ex officio</i>
P Horwitz, Ralph, <i>Medicine</i>	13
P Jamison, Rex, <i>Academic Secretary to the University</i>	<i>ex officio</i>
P Jones, Pat P., <i>Biological Sciences</i>	06
A Joss, Robert, <i>Dean of the Graduate School of Business</i>	<i>ex officio</i>
P Keller, Michael, <i>University Librarian & Dir. of Acad. Info.</i>	<i>ex officio</i>
A Kramer, Larry, <i>Dean of the Law School</i>	<i>ex officio</i>
P Lavori, Philip W., <i>HRP – Biostatistics</i>	13
P Lazzeroni, Laura C., <i>Psychiatry and Behavioral Sci</i>	13
P Lipsick, Joseph, <i>Pathology/Genetics</i>	12
P Marshall, Larry, <i>Law</i>	09
P Matson, Pamela, <i>Dean of the School Earth Sciences</i>	<i>ex officio</i>
P Osgood, Brad, <i>Electrical Engineering</i>	04
P Pfleiderer, Paul, <i>Graduate School of Business</i>	01
P Pizzo, Philip, <i>Dean of the School of Medicine</i>	<i>ex officio</i>
A Plummer, James, <i>Dean of the School of Engineering</i>	<i>ex officio</i>
P Ridgeway, Cecilia L., <i>Sociology</i>	07
P Saller, Richard, <i>Dean of the School of Humanities & Sciences</i>	<i>ex officio</i>
A Satz, Debra M., <i>Philosophy</i>	08
P Shaqfeh, Eric, <i>Chem Engrg and Mech Engrg</i>	04
P Sheppard, Sheri, <i>Mechanical Engineering</i>	04
P Simoni, Robert D., <i>Biology</i>	06
P Sommer, Matthew, <i>History</i>	07
A Stearns, Tim, <i>Biological Sciences</i>	06
P Stedman, Stephen, <i>FSI-CISAC</i>	11
A Stipek, Deborah, <i>Dean of the School of Education</i>	<i>ex officio</i>
P Summit, Jennifer, <i>English</i>	08
P Willinsky, John, <i>Education</i>	03

Present on Invitation or by Request:

William Kays, Al Hastorf, Stephen Monismith, Artie Bienenstock, Parviz Moin, Tom Fenner, David Leith, Ann Hannigan, Ann George, Nate Chambers, Johan Kers, Marty Fejer, Daniel Gazzano, Ron Edwards, James Dayton, Randy Livingston, Susan Weinstein, Seb Doniach, Marty Higgins, Lisa Lapin

Present on Standing Invitation:

Tom Black, Kathleen Sullivan, Agnieszka Czechowicz, Adam Beberg, Stuart Baimel, Lindi Press, Stephanie Kalfayan, Mike Antonucci, Adam Beberg

Outside Press: