

Address on the State of the University

The University of Texas at Austin
September 17, 2003

The English novelist H. G. Wells once wrote, "Human history becomes more and more a race between education and catastrophe." It may be an exaggeration to say that last January, when Governor Perry directed all state-funded institutions to reduce their current operating budgets by 7 percent and forewarned that even larger, recurring cuts were certain, it looked as if catastrophe might win by several laps. But we have persisted, and I am happy to report that as catastrophe management goes, we did a pretty darned good job. However, the fight is not over yet. The University has not seen the equal of these fiscal conditions for many years, and it will take a while longer for the effects to become fully manifest in our budgets and our practices. But we rolled up our sleeves and undertook the difficult but critical task of protecting quality and strength during hard times. It was a team effort, and I am proud of our team.

I commend the vice presidents, deans, and unit leaders across the University, all of whom worked tirelessly and with care to create a budget plan that resulted in \$40 million in reductions and cost savings. It was not easy for them. A process of this nature takes a personal toll on good people who must make tough choices. Worthy programs and projects were curtailed, services were eliminated, and staff positions were reduced. The last came at a human price—the loss of friends and coworkers, valued colleagues. I offer my sincerest gratitude to all who managed what had to be managed. It was the best job I have ever seen of handling budgetary retrenchment in a public university. The University will continue to succeed because of that work. Once again, in the course of this institution's distinguished 120-year history, education overcame catastrophe.

It is important for this community to grasp the extent of the University's financial challenges, so let me summarize them:

- The 7 percent reduction in our operating budget in the spring meant that the University lost almost \$19 million that we were using to operate during the final months of the last fiscal year, which closed on August 31.
- For the present fiscal year, 2003-2004, which began on the first of September, UT Austin received \$22 million less in general revenue appropriations for established programs than we received for the previous fiscal year. We also lost another \$8 million per year in health benefits that had been supported by the State.
- For the new fiscal year, there is also a reduction of \$6.5 million in income from the Permanent University Fund, not by action of the Legislature, but because of the decreased market value of the PUF endowment in recent quarters.
- Taking all of these things together, plus others that I will not detail, we have about \$40 million less to operate the established state-funded and PUF-funded programs of the University in fiscal year 2003-04, representing about a 10 percent reduction of the total from those sources for those programs.

Our target has been to continue our most important services with undiminished quality, given these reduced resources and the need to absorb some inflationary rise in costs. This is no small task. It is, in fact, impossible to achieve with respect to every service. But it remains the target as we continue to adjust to the current conditions.

We had anticipated the importance of cost savings in 2002, when I appointed the President's Task Force on Efficiency, chaired by Professor Randy Diehl. We were fortunate to have been able to realize important results from that process as we came into this new fiscal year.

All through the spring, we maintained a steady focus on a target of \$30 million in reductions and savings, and we were able to achieve it through careful work everywhere on the campus. In the end, the gap was bigger—\$40 million—mainly because of the lost support for health benefits, which came into the picture at the end of the legislative session. To close up the budget in the final days, it became necessary to sacrifice \$10 million of the recurring amount that we spend on repair and renovation of our infrastructure. This action has compounded the recurring shortfall of \$20 million that already existed in our funding for infrastructure. Thus, the budgetary hole is now \$30 million recurring. The infrastructure issue must be a primary focus as we work out of these difficulties in the months and years ahead.

By last February, the University Budget Council saw that we could not avoid eliminating hundreds of positions—by layoffs if not by other means. Through a combination of efforts, including the elimination of many vacant positions, a hiring freeze, and the positive response to the Voluntary Retirement Incentive, we were able to limit layoffs to 120 employees, a much lower number than feared. The Voluntary Retirement Incentive proved especially important: 239 individuals accepted it. A total of about 700 positions were eliminated in the whole process. Our success in reducing employment levels with minimal layoffs is testimony to the managerial skill of leaders across the University.

But there is also the sobering reality of what happened to members of our community who lost their jobs just for financial reasons. We must never minimize the effects of laying someone off in this environment, where security of employment is such an important part of the University's ability to recruit and to hold the talent that it needs. We pride ourselves on being a caring environment, so I am glad to add that Human Resource Services was able to provide real help to those laid off, by assisting with benefits coordination, offering emotional support through the Employee Assistance Program, processing unemployment claims, and searching for other opportunities within and outside the University. My thanks go to Vice President Pat Clubb, Associate Vice President Kyle Cavanaugh, and their staffs for the excellent work they have done to humanize a difficult process.

Although it was not possible for us to undertake the normal annual raise program on September 1, I remain hopeful that a modest program can be implemented in January. We will make a decision on that in early November, when we will have a better grasp of the contingencies ahead. A mid-year raise program remains a very high priority.

I also know that many in the university community are concerned about health coverage and premium sharing. The overall picture resulting from the legislative session is extremely complex, and I will make no attempt here to go into detail. However, it was our goal that no member of the UT faculty or staff employed on August 31 would see a reduction in take-home pay after September 1 because of the changes enacted by the Legislature. We have met that goal.

The whole story of the legislative session was one of serious short-term challenges, but also brighter long-term opportunities. Although we sustained reductions in appropriated support for established operations, the Legislature also provided us with tools to manage more effectively, and in time they should lead to improvements in both the quality and performance of our university. There were two especially notable actions:

- First, the Legislature granted general authority over tuition to the governing boards of the universities, so that the boards may now set tuition based on the individual missions and needs of their institutions. A generous portion of any tuition increase must be set aside for financial aid. Reasonable increases in tuition, applied fairly and flexibly, can help us to maintain a world-class institution despite the economic downturn and the loss of appropriated support. I believe deeply that, over time, local management of tuition and fees by the boards will lead to better performance by Texas universities and better cost control.
- In another important action, the Legislature allowed institutions of higher education to retain 100 percent of recovered indirect costs of research. This change will result in savings of nearly \$20 million dollars to the University next year, with growing benefit in later years. Until now, the state of Texas has kept 50 percent of the indirect costs on each research grant. Texas was the only large state in the nation to retract indirect-cost monies so extensively from its universities, and the leadership of our state came to understand the practice as a self-defeating penalty on success. These funds come from supported research and must be used to enhance our competitiveness in that area. The leadership made this change in policy toward that end in particular. The funds will strengthen our ability to recruit top talent to the faculty and will support special equipment and facilities, required matching support for federal grants, and seed money for new initiatives.

These two provisions are major steps forward for Texas. I remain deeply appreciative to the leadership of our system, the alumni and friends, and the political leaders who made them possible.

In UT history, 2002-2003 may well be remembered as the Year of the Task Force. There were more than usual and they were more visible than usual, because we had pressing needs. They have been ably led and have produced fine results.

- The Task Force on Assembly and Expression, chaired by Professor Douglas Laycock, reviewed policies and practices affecting freedom of speech and assembly on the campus. The report of this task force was broadly acclaimed and endorsed, an achievement in itself in such a sensitive area. It is also now receiving

- national attention as a model. Most of the recommended changes in policy and practice have been implemented; others are in motion.
- The Task Force on Enrollment Strategy, chaired by Professor Isabella Cunningham, was charged with recommending a strategy for managing student enrollments at UT, from the present into the indefinite future. The task force has submitted an interim report, and the final report will be forthcoming this fall.
 - The Task Force on Racial Respect and Fairness, chaired by Professor (now Dean) Darlene Grant was established to explore means for making the university a more civil environment for members from varied cultures. It has also submitted an interim report, and will provide a final report later this year.

Two additional groups are just beginning their work:

- The Police Oversight Committee, chaired by Dean Michael Sharlot, is to assure that the policies and practices of UTPD promote the security of the University community effectively and in ways respectful of constitutional rights and consistent with our academic values. This is an ongoing body that will report annually.
- The Tuition Policy Committee, co-chaired by Executive Vice President and Provost Sheldon Ekland-Olson and Vice President and Chief Financial Officer Kevin Hegarty, will also be ongoing. More on this committee later.

This is a good place for me to thank Professor Michael Granof for his chairmanship of the Faculty Council, and Frank Simon for his chairmanship of the Staff Council. They masterfully represented crucial elements of our University community, and I look forward to working with their successors, Professor Marvin Hackert with the faculty and Glen Worley with the staff.

Despite the difficult times, the University remained focused on its mission and priorities. I want to share with you some of the progress we have made this past year.

- In 2002-2003, we resumed our faculty expansion after a suspension of efforts in 2001-02. In continuation of that initiative, we have budgeted funds for 30 more positions in this academic year. Expanding our faculty is the most important thing we can do to improve the quality and national standing of this university. It will take a decade, and it must receive a consistently high priority over that time.
- We continued to make progress in teaching initiatives to ensure excellence in the classrooms and laboratories. Some 170 classrooms across campus are now equipped to use advanced instructional technologies. The newly launched EUREKA web site provides information on undergraduate research projects. And more of our students are involved in international programs, placing us among the top five universities in the nation for study-abroad participation.
- In the area of admissions, we made a strategic decision last fall to reduce the number of freshmen in the class of 2003, despite an 11 percent rise in applications to 24,500. The new freshman class has the highest academic qualifications in the University's history and includes the largest percentage of Hispanic students.

Moreover, the African-American fraction has at last been restored to the level of the final pre-*Hopwood* year.

- The freshman retention rate was 91 percent, which was a point lower than the previous year, but above 90 percent for the third year in a row. My near-term goal is to reach 94 percent.
- The four-year graduation rate reached 39.2 percent, a new high and up by almost 3 percent over the previous year. We need to reach a figure above 50 percent, but in the near term 42 percent is my target.
- Our six-year graduation rate reached 71.5 percent, also a new high. This is an increase of 5 percent over the last four years. We must raise this rate above 75 percent.

A landmark decision that will affect UT's admissions process is the Supreme Court's *Grutter/Gratz* ruling, which validated affirmative action in collegiate admissions, but also restricted the range of practices. This decision has lifted the unique burden of *Hopwood* from Texas and has opened up the consideration of race in our own admissions policies. The University is working within the procedural guidelines issued by the Chancellor to develop new policies for undergraduate, graduate, and professional admissions. But we were disappointed to learn last week that Texas state law requires one year's public notice before modifying any admissions criteria. It would cause us to postpone changes for a full year—a delay inimical to the best interest of Texas. We stand ready to work with state leaders to gain relief, perhaps by amending the governing law.

In academic year 2002-2003, we celebrated accomplishments in several areas across the campus that contribute greatly to our academic and research missions:

- The Sarah M. and Charles E. Seay Building was dedicated.
- We broke ground for the Blanton Museum of Art and we are scheduled to complete construction in 2005. Also, the Blanton received a collection of more than 3,200 prints of extraordinary quality from noted art historian Leo Steinberg.
- The Institute for Computational Engineering and Sciences was established to facilitate interdisciplinary research in fields at the leading edge of computational capability. It operates under the able leadership of Professor Tinsley Oden.
- The John A. and Katherine G. Jackson Geological Sciences Building was completed and dedicated, and the Jackson School of Geosciences came into being under the directorship of Professor William Fisher. The school has an endowment greater than \$200 million, largely from a bequest from John and Katherine Jackson. A vision committee, chaired by President Emeritus Peter Flawn, will recommend how to take best advantage of this remarkable asset.
- The magnificently renovated Harry Ransom Humanities Research Center reopened after a long, dusty construction project that brings its treasured collections much more effectively before the public. And in a major acquisition serendipitously close to the reopening, HRC Director Tom Staley announced the purchase of the Woodward-Bernstein Watergate Archive, supported entirely through private gifts.

- Don Carleton and the Center for American History acquired two major collections that have greatly enriched the University's research holdings. In March, the center was given the entire *Newsweek* magazine research archive for the years through 1996. The Center also acquired the photographic archives of four award-winning White House photojournalists who have covered our nation's presidents from Richard Nixon to George W. Bush.
- The University of Texas at Austin Elementary School, a University-based charter school in East Austin, opened its doors this fall to 118 students in pre-K, kindergarten, and first grade. The teachers, students, and parents have had very positive reactions to the new school. My congratulations to Provost Sheldon Ekland-Olson, Vice Chancellor Edwin Sharpe, and their many colleagues who made a reality of this worthy venture on a very short time line.
- The University of Texas Film Initiative was announced by the College of Communication. This is an innovative public-private venture involving an academic UT Film Institute and a UT-allied, investor-supported film production company. I congratulate Dean Ellen Wartella, Professor Tom Schatz, and their many advisers and supporters for inventing a new model for film-making, film-teaching, and film scholarship in the 21st century.

UT is a huge, complex enterprise, with highly sophisticated technological capabilities, so it is no surprise that we have sustained attacks on our computer security systems. We all became vulnerable to a series of ongoing viruses, worms, and other slings and arrows of outrageous hackers. These problems are worldwide. Dan Updegrove, our Vice President for Information Technology Services, and IT staff across the campus have responded admirably to such emergencies, working far into the night to protect 70,000 computer users in our University community and to create a more secure environment overall. My thanks go to all of them.

One year remains in the seven-year *We're Texas* Campaign, which closes next August 31. To date we have raised about \$1.4 billion. We estimate that we may reach \$1.6 billion by the end. I want to take this opportunity to thank the 125,000 donors and the many volunteer leaders, beginning with the Campaign Chair, Ron Steinhart, who made possible this remarkable success. Johnnie Ray, Vice President for Resource Development, and his staff have displayed consistent excellence throughout, and they have my gratitude. Let me add parting thanks to Randa Safady, Associate Vice President for Resource Development, for her outstanding service, as she moves downtown to become Vice Chancellor for External Relations at the UT System.

The 2002-2003 academic year provided a generous share of stress, but we still made valuable advances, and we retain our resolve to become an even better institution. We must now set ambitious goals for 2003-2004 and pursue them with intelligence and conviction.

Our stewardship of resources—how we secure them and how we commit them—is at the top of the list, because practically everything else depends on our skill at dealing with

them. In the year ahead, we will in two ways be setting patterns that will determine much about the future.

At center stage is the new Tuition Policy Committee, through which we hope to forge an effective long-term collaboration among administrative, faculty, and student leadership, with the goal of defining the wisest possible policies. Wisdom will embrace affordability, and wisdom will insist on quality. It is critical this year to get the process right—to develop habits that will, time and again, reach trustworthy answers for the University and for a public that trusts in it. As I contemplate the importance of this pattern-setting round, I am heartened by the superb quality of our first Tuition Policy Committee. All of us must wish the members well, because all of us are depending on them. They deserve our thanks for their commitment.

The other big thing we must get right is to find a real solution to the looming deficiency in our recurring funding for infrastructure. Our physical plant is where the University does practically all of its work. It was needed by prior generations, and it will be needed by the next. It was given to us in decent shape, and it is our responsibility to pass it on in decent shape. We probably cannot find a way to address the full recurring deficiency of \$30 million in one step, so the solution must rest on a multi-year strategy—together with iron discipline. We must not fail in this. And we can wait no longer. By this time next year, there must be a realistic strategy in place.

By Friday evening of next week, I will have served my 2000th day in office—a fair time to have been so fully engaged in the life of our University and of Texas. I have learned much about the hopes and needs of people, and institutions, and a whole society. In closing this address, I would like to speak in a little detail about four other items. All have to do with those hopes and needs. All are about making us a better university, but none can be captured in budget policies or organizational mechanics.

The first is about how we educate. One of the questions that we must continually ask ourselves—as a major public university that has long played a central role in the intellectual and cultural development of Texas—is this: "How can we better prepare leadership for the next generation in Texas and beyond?"

Toward that end, I call upon every member of our community to join in finding systematic, effective ways to build the knowledge and skill among students, faculty, and staff necessary to learn and to work across cultural boundaries. This recommendation was born, I freely admit, in the difficult experiences of our community during last winter; however the idea is not really about fixing obvious defects in our current society, but rather about getting to a future that we can already see.

Even in this heterogeneous America, virtually all of us grow up and spend most of our lives in a homogenous culture, often, but not always, racially or ethnically delineated. We do not have from experience a proper basis for understanding even the other principal cultures of America, much less those of the larger world. It should be no surprise that we are fearful, tentative, and clumsy in our efforts to make contact and to understand across

cultural lines. We have made do. But making do in the same way will not be good enough if America is to be prosperous, healthy, and stable in the decades ahead. As a center of higher learning, and as a place where the leadership of the next generation is educated, we have an obligation to help our students—and in the process to help ourselves—to become much more capable citizens.

I do not know how. But I do know that success with this goal is critically important. This is a powerful center of thought and exploration. We ought to be able to make progress.

The second point here is about how we regard ourselves and each other. My interest in an honor code stems from my belief that we could become a much more powerful, much more useful university if we had a simple, effective means for reminding all of our members—students, staff, faculty—of their own interest in standards of integrity and civility. I do not seek, nor do I recommend an elaborate honor code with an attendant justice system and penalties for transgressions. Neither would I support any sort of required oath. One sound sentence, widely embraced, could do it—just a steady reminder that civility and integrity do have meaning and that there are legitimate expectations concerning these virtues within our university.

I do not have the sentence. My belief is that leadership on this matter must come from our students. I congratulate the Senate of College Councils for its work to date, and I express the hope that a sound, widely supported honor statement will emerge by collaboration among student leadership during this academic year.

The third point that I highlight today is about how we select. We are in a season of the history of the University when there is much discussion about the admission of new students. The season has been triggered by a rapid rise in applications for the freshman class. We now receive more than three for every place, and the ratio will probably go higher. How should we choose?

Especially in public institutions, there is a powerful tendency in this kind of situation to stick with the numbers—high school class rank and test scores. I urge that we try very hard to find sound ways to look for—and to value—leadership, special talent, and real creative strength.

What I really seek is to preserve our historic power to provide leaders for Texas and beyond. For decades, this University of Texas has been the dominant source of leaders in our state, whether one speaks of the arts, business, law, government, medicine, the media, social organizations, or any other aspect of life in Texas. I am a doubter that the numbers tell enough about a high-school senior for us to rely decisively on them as we seek to continue with this great social role and public responsibility. The numbers do tell us important things, but not all we need to know.

I do not have the answer, and I am not even sure that there is a superior, practical approach. But I am dead certain of the importance to Texas of what we have done in the past, and I am equally certain that our education of real leaders is crucial to the future. If

we can optimize for any of our purposes, this is the one. How better to assure success is a most worthy topic for this season of debate about admissions.

Finally, the fourth point, which is about what we seek to become. This is what the Commission of 125 is about.

Universities can become self-justifying islands of arcane activity with little real benefit to the surrounding society, or even to their graduates. That phenomenon may have been identified even in the early eighteenth century, when Jonathan Swift was reported (perhaps apocryphally) to have said that the Oxford of his time was a great seat of learning because all who entered were required to bring some learning with them to meet the standards of admission; but no graduate ever took any learning away, and thus it steadily accumulated.

Well, perhaps we need not fear quite that. But the antidote to irrelevance is engagement of the university with the real needs and aspirations of the supporting society. That is why I think UT has gained such value in the past from commissions of citizens charged with expressing their hopes, wishes, and recommendations for the future. And that is why I think the work of the Commission of 125 is so valuable. It is the key to engagement at its best.

Over the past year, the Commission has convened, and its committees have begun to develop their ideas. Over the next year, conclusions will be hammered out and a report will be forthcoming. Our challenge will be to translate the Commission's work into the mechanics of academic development. In particular, we need to discern *the* great guidestar for the University as it develops over the next two decades.

I do not know now what it will be, but I do know that the previous two commissions successfully revealed guidestars of great power. It is our formidable task to make equal use of this opportunity. Work toward that end needs to begin within the University this year, even as the Commission synthesizes its final report.

The University of Texas at Austin is not cloistered; our light is not hidden. We are a radiant beacon of progress and opportunity that has illuminated every corner of this state for the past 120 years. It is our stated mission to disseminate widely the learning and discovery that take place here. Our research serves the greater public good, whether decoding ancient languages, developing biomedical wonders, or observing the coldest reaches of the universe. But we accomplish our purpose mainly through the young men and women whose lives we transform while they are entrusted to us. When they come here from Houston or Hutto, from Wink or Waxahachie, their minds are challenged; their hearts are opened; their future is shaped. The best take the tools and skills they developed here and go out and leave their footprints on the history of our time. This university is indeed a noble enterprise, and it remains both sound and powerful.

Thank you for your attention today. It is a privilege to serve with you all.