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RECESSION AND RECOVERY AT STONY BROOK

PRESIDENT'S CONVOCATION ADDRESS

STATE UNIVERSITY OF NEW YORK AT STONY BROOK

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Among the demands on university presidents is the responsibility to conceive a meaningful picture of events affecting the campus. The picture should be close enough to the view of each individual that it does not seem alien or incredible. And it should provide hope for understanding the turbulent action that fills each daily life. It should also point to a future with problems solved and goals closer. I have particularly enjoyed this part of my duties at Stony Brook because even in what ought to be the worst years, there is so much positive accomplishment--always more than enough to support a vision of progress and a message of hope. This year my great concern is that such a message may be perceived as unrealistic and therefore fail to lift spirits and move hearts.

Campus morale has certainly been eroded by year upon year of shrinking State support and a gloomy national environment. Uncertainty, resentment and fear lead to surprising behaviors in our working relationships. Many of us feel betrayed by the society on whose behalf we have sacrificed ourselves, only to be abandoned (as some perceive it) without thought or thanks for good work. Stony Brook has indeed sustained damage, but we are by no means dysfunctional. In many areas we are doing extremely well. And we have it within our power to improve our condition. Certainly we are doing much better than many of our sister institutions. We need to understand how to manage our new condition and continue to build toward our goals. I am impatient to press my view that we are functioning better than most of us realize and that with effort and discipline we can solve many of the problems created by the large cuts in our State budget. Some problems, it is true, will require outside help. In any case, we must not be distracted from our historical stubborn determination to excel.

Today I want to speak briefly of the traumatic experience we have just gone through, of what we are doing to prepare for the future, of the major challenges facing us and of the prospects for rising to them and meeting them successfully.

RECESSION A REALITY

Everyone knows the United States is struggling with an economic recession. Many people are out of work. Many states have huge gaps between their revenues and expenditures. Retail sales are off. Housing starts are off. Bank loans are inexpensive but hard to get. The economy is barely moving.

On Long Island, the situation is worse than elsewhere. 27,000 jobs were lost between 1989 and 1991. They will not come back because the defense spending that sustained them is no longer necessary in the 21st Century World Order. Taxes here are high, energy expensive, transportation difficult and the environment fragile. Long Island has to start over again to build an economy up to the aspirations of its talented and ambitious people. And New York State is particularly sensitive to the state of Long Island.

Stony Brook's fortunes are inseparable from those of the world around us. This year our State Purpose budget of \$163.3 million will be \$6.4 million less than last year's base. And that base was down by \$8.1 million from the year before. Before that the picture is obscured by salary increases (remember them?) that were not quite funded by the appropriation. We estimate the shortfall to have been about \$4.5 million. And the year before that it was about \$3 million. This does not count midyear cuts of approximately \$4 million per year during the past two years. Bruce Johnstone said last week that he had been SUNY Chancellor for four years and ten budget cuts. Overall, SUNY has lost more than \$200 million in State support (net of tuition increases) during those years.

What has the effect been on our campus? How can we survive that kind of damage and continue to function as a vigorous research university? I wish the answers were as easy to state as these questions.

STONY BROOK IS FUNCTIONING EFFECTIVELY IN MOST AREAS

As a broad generalization, the situation is still very dangerous, but we are functioning effectively in most areas. I think of our position as near a point of unstable equilibrium. Our marble is rolling away from the summit on an inverted bowl, moving slowly but accelerating toward the edge. We will need restorations of operating budget cuts to prevent eventual disaster. In detail, of course, the picture is much more complicated than this.

The institution over which I preside is now half devoted to health care. Although that half has its problems, it continues to grow and to create jobs and stability for the

entire campus. The State operating budget is only half the remaining half, or about a quarter of our operation. All the non-State parts are doing well under pressure, including sponsored research, dormitory operations, fund raising and auxiliary services. The interplay between State and non-State funding is complicated almost beyond analysis. Let me explain.

THE THREE INGREDIENTS OF COMPLEXITY

Part of the management innovation I have attempted to bring to Stony Brook is decentralized decision making. I believe the combination on our campus of increasing size and diversity of operations and the inadequacy of data systems and central analytical capability make it highly desirable to transfer decisions about resource allocation to administrators who are close to operations. Consequently, central budget decisions during the past few years of reductions have been made only at the broadest scale and often on the basis of very general, and certainly imperfect, principles (such as assigning services more cuts than academic programs, or dividing cuts in proportion to the State budgets of the Health Sciences Center and West Campus).

These three phenomena--reduction of State funds, growth of non-State resources and decentralization of budgetary decision making--have created great complexity in resource distribution at Stony Brook today. Different administrative areas of the University have different non-State resources at their disposal, and they each tend to employ them to solve their immediate problems. The struggle to rationalize this process has consumed a great amount of my time during the past three years and defines the most difficult and divisive issues on which a variety of committees and task forces have labored. I will give one example, the largest, superficially the least controversial, and perhaps the least understood result of these factors.

THE CASE OF FRINGE BENEFIT COVERAGE

Fringe benefits on State-funded personnel are paid automatically from central funds that are not counted against our campus allocation. The cost of personnel on non-State budgets must include fringe benefits. That difference creates a Gresham's law of personnel decisions: more and more of our State funds are used for personnel, and more and more non-State funds are used for other than personnel. The imbalance is palpable, and indeed we are hard pressed to account for the budget cuts in terms of personnel losses. Far fewer people have been retrenched than I expected would be necessary. What has happened, in effect, is that we have used non-State dollars to finance a transfer of State dollars from supplies and expense budgets to personnel budgets.

Someday the State will wake up to the irrationality of not including fringe benefits in the allocation to a campus like ours with large non-State revenues. Until then, we have effectively increased our State budget, bought time, and saved (for a while) many State jobs.

This mechanism obviously exerts very different forces in different parts of the campus. Areas such as the Division of Humanities and Fine Arts, which have little access to non-State funds are suffering most, while areas such as the Division of Residence Life, which are supported entirely by non-State funds are relatively better off (they have other problems). In between lies every possible combination of State and non-State support. This is why I have emphasized the need for "all-funds budgeting," for explicit accounting for the impact of non-State funded operations on State-funded services, for rigid controls on fees for services, for an overhaul of the recharge system for services, for upgrades in accounting systems and software to track multiple funding sources, for increased analytical staff in the University budget office, for three-year planning cycles and for more explicit and more goal-driven planning.

DUE PRAISE

As we criticize the State for withdrawing support at a time when a university of our type can help society most, we should praise those who have made possible the non-State support that has protected us from the worst effects of the budget reductions. That includes hospital director Bill Newell and the physicians of the medical school who fill his facility with patients. It includes the clinical faculty whose "private" practice supports half the medical school. It includes our talented and aggressive faculty who as principal investigators have brought to Stony Brook the largest volume of federal funding at any public university north and east of Pennsylvania. It includes our friends, among them alumni, parents, faculty, clients, vendors and neighbors, who are increasingly generous with philanthropic contributions. It includes our students and their parents who must pay more for the educational and other services they seek from us.

Praise goes, too, to those who have saved in one part of our budget to help another. The men and women who operate our physical facilities affect large flows of resources through utilities and the maintenance of expensive equipment. Even small improvements in efficiency produce large changes in our financial condition. Not only have they successfully controlled campus facilities expenditures at a critical time, they have also controlled their own expenditures on overtime and personnel. Similar stories can be told in many other campus service areas.

And we must recognize the increased workload so many of us have experienced. In some offices, people are working much longer hours to make up for staff losses. There are many stories of behavior approaching heroism as our employees extend themselves to meet the challenge of reduced resources. Despite losses in staff and supplies, the work is getting done. In the final analysis, Stony Brook still works because our people want it to work. There is an idealism here that may not even be conscious. But we are living up to the responsibility we have to those who come to us seeking to learn and to improve their lives.

THE BUDGET PROCESS

Among those who have labored to make Stony Brook work are the administrators, staff and faculty who tried to keep on top of the repeated budget cuts and distribute them wisely among our operations. This has been extremely difficult because the information we normally collect about ourselves is inadequate to the management of deep and rapid change. The budget process, based upon a two-phase cycle of financial allocations made upon consultation with a campus Priorities Committee, staggered under the weight of questions about how well we spend the resources we have left. We are still asking those questions, and we are still working on the process to make it more responsive to a larger number of campus constituencies and more effective through better staff support.

While the budget process is by no means perfect, it is working better for us than its counterparts are at many other universities. (Our University Senate has not yet called for my resignation.) It will continue to improve because all the participants are taking it seriously. During the summer, Provost Edelstein, Vice President Watts, and I met with representatives of the University Senate and the Priorities Committee to discuss how the process can be improved. Details will be provided in my regular reports to the Senate and to the Stony Brook Council.

THE FRUITS OF LABOR

What all this labor and sacrifice has produced is quite remarkably good. In addition to the thousands of students who are learning, and the tens of thousands of patients who are healing under our care and guidance, we can point once again this year to singular contributions to society and to knowledge made by Stony Brook people. Most of them will appear in my forthcoming annual President's Report for 1991/92. As usual, it will be reprinted in widely available publications.

Who could not be fascinated by the implications for the growth and spread of agriculture of Bob Sokal's work, with colleagues, on the correlation of genetic traits with European linguistic patterns? Or by Patricia Wright's creation of a national park in an endangered rain forest in Madagascar? Or by Konstantin Likharev's vision of electronic devices that let electrons drip through microscopic faucets one by one? Or John Fleagle's use of satellite images to discover fragments of our earliest ancestors in Africa? Or the sweep of top awards by Stony Brook students in the first All-Asian Mozart piano competition in Hong Kong? Or the closest thing yet to the synthesis of life by Eckard Wimmer and his group who made a virus from spare parts? Or Chris Jacobsen, who with colleagues, made eyeglasses for X-rays (figuratively speaking) at nearby Brookhaven National Laboratory and won one of thirty Presidential Faculty Fellowships in recognition for his work?

These are the kinds of accomplishments by which Stony Brook has always measured itself. It is to give others the skill and insight and confidence to make similar contributions that we exist as a University. We wish to be judged by others according to our success in producing graduates who can climb these heights. For this reason, I am pleased at the progress our Alumni Office is making to identify outstanding Stony Brook alumni. We have discovered a MacArthur Fellow, the inventor of the RISC processor, faculty in most of America's great universities, congressmen and cabinet ministers in other countries (as well as our own George Hochbrueckner), and thousands of successful men and women whose lives were touched by Stony Brook.

Our greatest challenge is to make sure such accomplishments continue even as we struggle with the effects of the recession. In the written version of this report (not in the oral version), I am including a description of Stony Brook's new planning process, which is intended to focus our efforts on our most important goals.

PLANNING AT USB

Last December I sent a long letter to the University Community assessing the budget situation and announcing plans to cope. Some of those plans have been carried out. The rest continue to guide our actions. Recall that I directed the formation of a special Budget Action Plan with an Immediate Response Plan for the midyear cuts, a three-year Transitional Operating Plan and a long-range strategic planning process. The Immediate Response period is over, and for better or worse, we did make it through last year with a combination of cuts and savings.

At this time, we do have a three-year financial plan for the first time in our history. The plan includes allocation

estimates to each Vice Presidential area for the current year and the two following years. Numbers will be updated every six months, with one revision following the appearance of the Executive Budget Proposal in January and the second following Phase 2 of the campus financial planning cycle that ends June 30.

The three-year plan also refers to Goals and Objectives that were developed as part of the long-range planning process. We have circulated drafts of a University Mission Statement, ten overarching goals and 47 objectives to which the financial plan allocations refer. These documents were published in CURRENTS and are available on the comprehensive new electronic bulletin board, "SBNews", maintained by the Office of Public Relations and Creative Services directed by Dan Forbush. They are guiding our decisions on resource allocation, and the three-year financial plan refers explicitly to them.

These and other planning documents, and the planning process itself, will be the focus of an extremely important all-day forum for key campus managers scheduled approximately six weeks from now. The forum is an opportunity for campus managers to become familiar with the Goals and Objectives and to make sure everyone is acting on the same assumptions about what we are trying to accomplish.

The new planning process is explicitly keyed to the SUNY 2000 strategic plan, which turned out to be easy to do because the goals of that plan are very consistent with ours. SUNY's new planning process seeks to link the updating of campus plans with the five-year cycle of accreditation reviews. Stony Brook's ten-year reaccreditation review by the Middle States Association comes up next year and will be conducted under the direction of a steering committee chaired by Dean Jerry Schubel. The structure of the self study, which is already laid out, makes explicit reference to the campus Goals and Objectives.

In my letter last December, I also referred to a "small staff of planning personnel temporarily reassigned" to produce the documents required for the Budget Action Plan. This staff consists of Emily Thomas (HSC), George Seaman (Hospital), Ray Maniuszko (OIS), Richard Reeder (Social Sciences), Manny London (Harriman), Tammy Feldman (Harriman), and Douglas Panico (Internal Audit) and has been supervised by my Deputy, Stan Altman. This group has worked extremely effectively and fills a longstanding vacuum at Stony Brook. I am acting to make participation in this group part of the official duties of each member and have asked Emily Thomas to lead it. Her title will be University Planning Coordinator and in this capacity she will report to me. She will continue to hold her main appointment as Assistant to the Vice President of Health Sciences. Meanwhile, Stan Altman, as you know from my campus-wide letter, has retired from the Deputyship and I am seeking a replacement. He has a new responsibility, which I will describe below.

More information about the work of the Planning Staff Group will be presented in my regular reports to the University Senate. I urge everyone to read the Mission and Goals and Objectives statements and to send comments, reactions and suggestions to me or to Ms Thomas.

THE THREE BIG ISSUES

The new planning process is intended to help focus campus attention on critical areas in which Stony Brook must take action or face major setbacks. Many campus offices have been hurt by bad budgets. But our objective is not simply to repair damage. It is to direct what resources we have to the missions of education, research, health care and regional development. We need all the offices to carry out these missions, but it is not ultimately the offices that are most important: it is the missions themselves.

With this in mind, I wish to draw attention to three major issues that require our utmost in creative thought and action. They are the financing of health care at Stony Brook, the care and feeding of research and graduate education and what I will call the undergraduate issue.

FINANCING HEALTH CARE

I have reminded you that health care now consumes, and provides, half our operating budget. What is more important is that we have become the health center for Suffolk County, a region of 1.4 million people. Beyond our obligation to provide advanced health care to this immense population, we are also obliged to operate our health care facilities to complement the research and educational activities of the entire University. We have taken advantage of the hospital in marvelous ways. It provides jobs and volunteer opportunities for undergraduates. It creates opportunities for collaborative research among many departments. It is an exciting real world laboratory for the study of problems involving individuals and society. Our health facilities and programs are among the most valuable assets we have as a research university.

Expanding and maintaining these assets in the future is going to be extremely difficult. Everyone knows that runaway health costs are a major contributing factor to the federal and State budget problems. Proposals abound to alter significantly the way society pays for healing itself. Each of them would affect our ability to provide hospital and clinical care. Under present bureaucratic constraints on SUNY hospital management, we will have trouble accommodating our operations to the proposed changes. The situation will be worsened if the State follows through on language in this year's Executive Budget Proposal that promises to cut all remaining budget support for the SUNY hospitals.

As troublesome to me as the withdrawal of hospital support is the recession-driven tendency of the State to appropriate all funds associated with State facilities and programs, such as the clinical revenues generated through our Clinical Practice Management Plan. As I have already noted, this revenue is extremely important for the medical school and must be protected from raids by external powers. The Plan will probably pledge some of this revenue to a new Ambulatory Care Teaching facility for which the State Legislature and the Governor authorized tax-free financing through the Dormitory Authority during this year's legislative session.

Health care financial and governance issues have been a serious topic of discussion within SUNY during the past year. Stan Altman has become so important to these discussions that I asked him to continue to work in this area even after he stepped down from his position as my Deputy. He has agreed to serve as "Advisor to the President for Health Finance."

I have identified health care finance as one of the big three University concerns because of the very large amount of money and personnel involved, the sensitivity of campus programs to the health care mission and my certainty that the health care environment will change to our disadvantage. Although we are taking steps to increase understanding and support for health care in SUNY and developing plans that we hope will be adopted by the State, our fate will hang in balance for the foreseeable future.

THE STRATEGIC MANAGEMENT OF RESEARCH AND GRADUATE STUDY

The second major area of concern is the strategical management of sponsored research and graduate study at Stony Brook. I do not mean the management of sponsor funds or of the indirect cost reimbursements that have caused so much trouble for some of our colleagues at other universities. These aspects of sponsored research at Stony Brook are receiving much attention and have been subject to great change during the past year. Under the leadership of Provost Edelstein and Vice Provost David Glass, and with counsel from the Research Advisory Group, the entire method of funding overhead services has changed and the allocation of indirect cost funds is being integrated into the overall campus budget process. These changes are extremely important, but they are tactical rather than strategic initiatives.

What needs attention most are the strategical issues of providing adequate financial support for graduate students, expanding facilities to support continued sponsored research growth, remaining competitive for excellent research faculty in a time of budget stringency and responding productively to major changes that appear to be in the works for our principal funding agencies.

I cannot speak adequately on each of these important points today. Everyone knows that graduate student support posed problems before the budget cuts and is more problematic now. The prospect of unionization and consequent labor agreements affecting fringe benefits and standards for compensation will complicate the issue. Graduate education is an extremely important component of a healthy research environment and must be included explicitly in our University research strategy.

Regarding the changing philosophies of funding agencies, both the National Science Foundation and the National Institutes of Health are reexamining their funding priorities in well-publicized processes. Both are likely to shift the emphasis of their support significantly during the next few years. It is important for Stony Brook to organize itself to take advantage of these changes rather than to be caught by surprise when they occur. Fortunately, the steps we have already taken to link our work with Statewide economic development goals have begun to prepare us for the more applied orientation toward which the agencies seem to be moving.

Provost Edelstein and I agree with many observers that the need for additional leadership in this area is very great. We are prepared to establish a new University office of Vice President for Research and Graduate Studies, replacing the old Vice Provostial office, and begin a national search for candidates. Advertising for the position will begin immediately.

This new title is somewhat incompatible with the balanced structure of Vice Provosts and reporting relationships that I established more than a decade ago after careful consideration. Although it is my intention to work closely with the new Vice President and to include him or her within my Cabinet, I believe management will be served best by having the office report to the Provost. In this connection, I am changing the title of the "Provost and Vice President for Academic Affairs" to "Provost and Executive Vice President for Academic Affairs."

As the search for a Vice President for Research and Graduate Studies proceeds, we must also organize ourselves to press for resources that will permit strategic improvements in this area at Stony Brook. Our highest priorities for State funding for 1993/94 are the implementation of a new version of the SUNY Graduate and Research Initiative, the creation of a new SUNY construction cap and the designation of our entire proposed Life Sciences building as a project within this cap to be funded immediately.

Most observers believe that a Graduate and Research Initiative is possible even during the recession if it is linked to recovery and stabilization of the regional economy.

Our success in harnessing portions of our research efforts in science and engineering for the creation of new companies in a "technology incubator program" has established enormous credibility for such a link. A major objective for Stony Brook of any such initiative, although not the exclusive one, would be the expansion of our College of Engineering and Applied Sciences and its elevation to national competitiveness for federal support, faculty and students. The groundwork for this development was already begun under Dean Stewart Harris and is being carried forward vigorously by Dean Yacov Shamash. Regional corporate leaders have already pledged their support for the initiative.

INTERLUDE ON ENROLLMENTS

As I turn from graduate to undergraduate issues, let me comment briefly on the enrollment picture for this year. We are down about 250 in freshmen, about even in transfer students, slightly up in retention of continuing students and over target by about 125 in graduate and continuing education students. This latter figure is astonishing in view of the removal of approximately \$1 million from the graduate student support budget, but I am told the extraordinary effort by departments that produced this result cannot be sustained without restorations of the budget. The Provost has promised to replace the funds next year.

The immediate result of the net enrollment shortfall of about 127 "Annual Average FTE" (SUNY's enrollment unit) will be an additional burden to this year's financial plan of more than \$250,000. This falls within our allocation for contingencies provided that no further major emergencies occur.

THE UNDERGRADUATE ISSUE

This brings me to the third major area of concern: the undergraduate issue. In contrast with health care financing and research and graduate studies, Stony Brook's record of success in the undergraduate area during the past 20 years is mixed at best. One symptom is our persistent failure to capture conventionally achieving students (e.g., with high SAT scores and high school grade point averages) as freshmen.

This year's freshman enrollment drop was partially a result of our determination to improve the quality of the class. We made a calculated risk last fall to abolish the "alternate admit" category and create a waiting list for students minimally within standards. The NEWSDAY series, a large tuition hike and a problem getting out financial aid packages on time each contributed to the shortfall. A decision made during the NEWSDAY series to draw from the wait list had little impact on the final numbers. But the result

for class quality is that the average SAT score will go up more than 20 points to approximately 1000, accelerating a trend in the right direction. But we know that for most freshmen, Stony Brook was not their first choice. And for many students ideally suited for a Stony Brook education, Stony Brook is not among their choices at all.

We know that most students who do come to Stony Brook like it here. Transfer students confirm that our courses are usually at a higher level and demands on students are greater than at their previous institutions. We also know that large fractions of our students go on to graduate schools and professional schools and compete well with peers from elsewhere. In general, we are confident that we offer an excellent education.

And yet, even when prospective students acknowledge our leadership in research, that is not seen by prospective students as necessarily implying a desirable undergraduate experience.

Two years ago when I spoke during my convocation address of "Stony Brook and the New World," I suggested that private universities had to cope with problems created by changing external conditions before public universities. Therefore, we should look to them for insight into how to respond to our own problems. I identified two lessons that we had to learn in order to improve our reputation for undergraduate education. The first was the creation of a supportive atmosphere for students and the second was "a sense of community in which visible...faculty are seen to appreciate the presence and interests of students...If we do not become actually interested in our students, we will not create a campus atmosphere that attracts them to us. To compete with institutions that know this secret, we are going to have to project an image of caring for students."

There are two important points here. The first is that we are not projecting an image of quality undergraduate education and the second is that it will take more than spending money to correct that image. Even if we believe the problem is one of perception rather than of an actual deficiency, I am convinced that we will not change the perception without offering evidence of real change.

Over the years we have created several outstanding undergraduate programs: the Federated Learning Communities, URECA, the Honors College, the Diversified Education Curriculum. But they need to be coordinated and made part of an explicit philosophy of education that we publicly embrace. We need to identify and support faculty leadership to spend more time on undergraduate issues. We need to break through the vicious circle of faculty complaints that the University does not reward teaching followed by faculty personnel committees that do not, in fact, recommend rewards for teaching.

We need to come to an agreement that with or without extra compensation, the cultivation of the undergraduate experience is part of normal faculty responsibility at a University where most of the students are undergraduates.

Vice Provost for Undergraduate Studies Ron Douglas and his Associate Vice Provost Ernest McNealey have good insights into what needs to be done. It will be necessary to give them more financial support and more moral support to have any impact on the complicated problems we face in this area. A committee of the Stony Brook Foundation has taken interest in the issue and has agreed to support a nationally known enrollment consultant to assist us in identifying and carrying out strategies to bring reality and perception together. The consultant has completed a survey of student, parent and counselor perceptions, and will meet next week with the Foundation and faculty committees to discuss initial recommendations. I am prepared to reallocate resources in next year's operating budget to implement these recommendations.

I do not believe an effective undergraduate initiative will be easy. The factors that detract from a quality, caring atmosphere toward students are very pervasive in our physical arrangements, our way of doing business, and our own perceptions of what our roles are and how we play them. Fortunately, we are doing many things right, and there is a sufficient number of good faculty "role models" for the rest of us.

I look forward to working on the undergraduate issues because they are at the core of difficulties that Stony Brook has always had with its public image. Efforts such as the forthcoming development campaign and Division I athletics initiative will reinforce a new undergraduate initiative for Stony Brook. Further details on these initiatives and how they will be organized will be reported during the fall semester.

SOME RESOURCES THAT ARE ADEQUATE TO THE TASK

I regret that limitations of time do not permit me to visit each operation of the University in this address. I know of so many Stony Brook stories worth telling--stories of sacrifice and accomplishment, of persistence, loyalty and strength. Stories that confirm that Stony Brook does have an implicit philosophy of education, does have a critical mass of caring faculty and staff and students, does retain an idealism about the value of what it does that shines unquenchably through travail.

These numerous specific experiences give me the confidence to assert today that we together have the resources of spirit and strength of will to deflect even the massive machinery of the State of New York toward our cause. I ask

only that you attempt to view our University from the breadth of perspective that you require of me and that you act from this perspective in your every encounter with the rest of us. Our goals are sufficiently clear to be understood by everyone. Let our actions speak as clearly.

On behalf of the thousands who rely on Stony Brook for education, care and guidance, thank you for your help and determination during these years of struggle.