

**TO THE MEMBERS OF THE ACADEMIC COUNCIL
THIRTY-THIRD SENATE REPORT No. 4**

Summary of Actions Taken by the Senate

November 9, 2000

At its meeting on Thursday, November 9, 2000, the Senate of the Academic Council heard reports and took the following action:

1. By unanimous voice vote, on recommendation of the Committee on Academic Appraisal and Achievement, approved a proposal to change the GSB grading policy, as set forth in SenD#5131.

The new GSB system (H-HP-P-LP-U) adds one letter grade, provides new definitions, and will be used in the MBA program to create more distinctions among passing performances. The GSB 6.0 scale will require a conversion table into the University's 4.0 grading scale, which will be developed by the Registrar and approved by C-AAA. While approving the proposal, the Senate conveyed strong encouragement to the GSB to consider using the University's A-B-C grading system.

**MINUTES OF THE THIRTY-THIRD SENATE
OF THE ACADEMIC COUNCIL**

November 9, 2000

Call to Order

Senate Chair Brad Osgood, with a hoarse voice and assistance from the Academic Secretary, gaveled the meeting to order at 3:23 p.m. There were 42 voting members, 7 *ex-officio* members, and numerous guests in attendance.

Approval of Minutes

The minutes of the October 26, 2000 meeting of Senate XXXIII (SenD#5139) were approved as submitted.

Report from the Senate Steering Committee

The Senate Chair explained that the meeting was beginning a bit late because the Steering Committee had just finished an Administrative Session on behalf of Senate, where informative annual reports from the Committee on Libraries, the Committee on Academic Appraisal and Achievement, and the Committee on Graduate Studies had been discussed. He thanked committee members and chairs for their work in 1999/2000. Osgood also reminded everyone that the final meeting of Fall Quarter, to be held on November 30th, would include an IDP renewal from C-GS and the C-UAFA annual report, along with an opportunity to meet the new Dean of Admission and Financial Aid, Robin Mamlet. That meeting would be followed, he said, by the quarterly Informal Executive Session, an opportunity for Senate members including the President and Provost to talk amongst themselves, off the record. The Chair, explaining that the Senate regularly receives deans' reports on various schools, indicated that the Steering Committee was hoping to "take the Senate on the road" for its regular January 11th meeting, to hear a report from Jonathan Dorfman, Director of the Stanford Linear Accelerator Center, at SLAC, accompanied by a SLAC tour. Osgood advised that bus transportation would be arranged, and asked Senate members to let the Steering Committee know if they found the idea interesting and would be able to attend. Osgood stated that there was no report from the Committee on Committees.

Report from the President

Reporting briefly on the General Use Permit, President Hennessy thanked all of the faculty, staff, and students who attended the October 30th County Board of Supervisors meeting or communicated separately with them. He noted that the "delightful meeting" had gone on until 12:45 a.m., concluding with a statement by Stanford Board of Trustees Chair Isaac Stein. He said several supervisors had told him that they had received ten times more mail on this issue than on any prior issue before them. "I believe we have convinced the supervisors of the depth and seriousness of our concern about Supervisor Simitian's proposal for 99-year dedication of 1,000 acres," he said. Final action was postponed until November 27th, Hennessy advised, "and we are working intensely with the County to try to devise a proposal that might be acceptable to a majority of the supervisors and to Stanford." The President clarified two points about which he had received questions. First, Stanford had obtained external legal opinions indicating that the 99-

year dedication would be illegal, and a group of Law School faculty, including the present and former deans, had signed a statement that they also believe it to be illegal. Second, Hennessy reiterated that Stanford had been surprised by the introduction of a rather radical and different proposal late in the process. He confirmed that the supervisor had held a series of meetings with Stanford starting on September 22nd, meetings that the supervisor had required to be kept entirely confidential. In all of those meetings, Hennessy said, no final proposals were made, and Stanford continued to indicate that any proposal that required the university to dedicate its lands would not be acceptable nor did they believe it would be legal. “The first time we heard of the Compact Urban Development Commitment Credits was at the supervisor’s public announcement at the Palo Alto City Council chambers on October 24th, he stated. Academic Secretary Schofield pointed out that contact information for the Board of Supervisors and local press had been placed at Senate desks. Responding to a question, Hennessy explained that no further public testimony had been scheduled, but members of the Stanford community are encouraged to attend the November 27th final decision meeting as observers. [The meeting is scheduled to begin at 9:30 a.m.]

Report from the Provost

Provost Etchemendy reported on the formation of three *ad hoc* committees to advise the Provost and President:

- a committee on the status and welfare of postdoctoral scholars – co-chaired by Professor George Dekker and Michael Cowan, Medical School Associate Dean now responsible for postdoctoral affairs campus-wide; membership not yet complete
- a committee to review and recommend policies on ownership of equity by the University – chaired by Vice Provost Charles Kruger, including Committee on Research Chair Professor David Leith (SLAC) as a member; membership not yet complete
- Provost’s Task Force on University Needs – a nine-month effort to assess Stanford’s needs and financial requirements over the coming decade; broken up into three committees, each including a Trustee (as listed on a sheet at Senate desks) –
 - Infrastructure Committee, chaired by Vice Provost Tim Warner
 - Interdisciplinary Issues Committee, chaired by Professor Judith Swain
 - Academic Strategic Planning Committee, chaired by the Provost and consisting mainly of the school deans.

Etchemendy noted that when seeking faculty members for these committees he had not availed himself of the services of the Senate’s Committee on Committees, and joked that the Academic Secretary had chastised him for this. “Get used to it,” quipped Osgood. In the general frivolity that followed, the Academic Secretary turned red, the President leapt to her defense, and the Provost assured everyone that he would no doubt be forming more committees and looked forward to CoC assistance in future.

The Provost also reported briefly on the increasing network traffic flowing into and out of Stanford via the commodity Internet. He said that usage was exceeding the bandwidth for which Stanford had contracted with its Internet service provider, Genuity, and if left unchecked would result in substantially increased costs to the University. A significant component of the traffic had been identified by ITSS as coming into and out of student residences and related to Napster, the MP3 file sharing service. In an effort to manage commodity Internet traffic down to the contracted level, ITSS had begun to filter traffic to

Napster. Initially, the filtering caused network performance problems in the residences, but changes had been made to correct that. Etchemendy asked Jan Thomson of ITSS to comment on the effectiveness of the actions that had been taken. Ms. Thomson said that the filters were helping, but that University-wide demand for commodity Internet access was still a concern and ITSS would continue to work on solutions.

Report on Faculty Housing Programs (SenD#5140)

The Chair expressed pleasure that the Provost, “in his role as Daddy Warbucks today,” would be describing improvements to the University’s faculty housing assistance programs. He noted that these changes resulted from the March 2000 recommendations contained in the report of the Provost’s Committee on Faculty Housing Policy, which had been distributed in Senate packets, along with the April 27, 2000 minutes of the Senate meeting at which the report had been presented. Osgood welcomed Carolyn Sargent, Director of Faculty/Staff Housing, thanking her for her office’s work on the new programs, as well as several members of the earlier committee.

Provost Etchemendy began by recognizing the hard work of the committee members: Chair Lynn Orr (Dean of Earth Sciences), Deborah Gordon (Biological Sciences), Stephen Hinton (Music), Jeffrey Koseff (Civil and Environmental Engineering), Edward Lazear (Graduate School of Business and Hoover Institution), Herbie Lindenberger (English), David Leith (SLAC), William Mobley (Neurology), Jeff Strnad (Law School), and Barry Weingast (Political Science), in addition to Provost’s staff members Kathy Gillam, Carolyn Sargent, Jeff Wachtel, Betty Oen, and Tim Warner. The Provost said that he planned primarily to describe to Senate the changes in the programs supporting house purchases, noting that several other committee recommendations were in the process of being adopted as well.

Supported by PowerPoint slides, Etchemendy began with “a tutorial on how houses are purchased:”

- Purchases with conventional financing:
 - 10-20% down payment
 - 80% first mortgage
 - Homeowners build equity a) from the original down payment and b) from paying off over time the interest and principal on their amortizing mortgage, so that c) any appreciation upon sale of the house belongs to the homeowner.
 - Problems: as home prices have escalated, it has become more and more difficult for faculty members to come up with the down payment (hence the DPAP program) and to afford the monthly mortgage payments (hence the HAP and MAP programs).
- Purchases with current Stanford housing assistance programs:
 - 10% down payment from personal funds
 - 10% DPAP (Down Payment Assistance Program) – 15-year, fully amortizing, low interest mortgage
 - HAP (Housing Allowance Program) – taxable salary supplement, based on first year salary, declining linearly over 9 years
 - up to 50% MAP (Mortgage Assistance Program) – non-amortizing shared appreciation mortgage, low current interest (3.5%), deferred interest capped at lower of Stanford’s share of appreciation or Applicable Federal Rate + 2% (currently about 8.5%) due at sale or refinancing (much better than earlier COIN and Lathrop versions which were “co-

investments” of University endowment structured to preserve the purchasing power of the endowment)

- Purchases with new programs, as recommended by the committee:
 - 10% down payment [as before]
 - HAP (Housing Allowance Program) – taxable salary supplement, based on first year salary, declining on a linear basis over 9 years [as before]
 - MAP (Mortgage Assistance Program) – non-amortizing shared appreciation mortgage, low current interest (3.5%), deferred interest capped at lower of Stanford’s share of appreciation or Applicable Federal Rate + 2% (currently about 8.5%) due at sale or refinancing [as before]
 - FARM (Fixed Rate Amortizing Mortgage) – new program where the University borrows money at lower than an individual’s rate, and then passes through to the faculty member the more advantageous rate, rate regularly recalculated (currently about 6.7%) but fixed once loan is made, flexible loan period (10-15-30 years as desired), and flexible MAP + FARM percentage up to a maximum of 60% of purchase price or \$750,000
 - DIP (Deferred Interest Program) – new program for faculty who have not owned a home since receiving an offer of appointment at Stanford, non-amortizing shared appreciation loan, zero current interest, zero payments, up to maximum of 20% of purchase price or \$175,000
 - HAPII (second HAP at time of tenure) – effective after 9/1/2000, taxable salary supplement, based on salary at time of tenure, declining on a linear basis over 9 years, available up to 10 years after promotion to tenure, for purchase of new home of equal or greater value than current home (or for substantial remodel)

Responding to several questions, Etchemendy noted that the new programs were very costly to the University and the rationale was to help new faculty members “get into the horrible housing market.” He noted that allowing persons previously ineligible for housing subsidy programs to access HAPII at the time of tenure (or, for non-tenure line faculty, at the time of continuing appointment) might be consistent with the program’s goals. “The devil is definitely in the details!” he asserted. The Provost underscored that the new programs could be reused over a faculty member’s lifetime, but with certain limitations, particularly as regards the very powerful and very expensive DIP loans. He also clarified that the cost of the DIP loans would be covered by the University (or by the formula schools). Sargent also explained that the MAP deferred interest calculation counts current interest that has been paid.

The Provost continued by explaining a bar graph comparing house affordability under three scenarios: no programs, current Stanford programs, and the new Stanford programs being introduced. “You can see that the new programs basically double the house you could afford if there were no programs,” he stated. For an Assistant Professor the affordable house goes from approximately \$328,000 to \$724,000; for an Associate Professor from \$444,000 to \$935,000; and for a full Professor from \$631,000 to \$1,200,000. The calculations were based on assumptions about different salaries and different size “target houses” for assistant, associate, and full professors and about other income in the household. At each level, the loan programs are “very, very powerful” and leave some “headroom” for different circumstances, Etchemendy said. The Provost indicated that he recognized the extraordinary complexity of these programs, and had struggled unsuccessfully to come up with simpler programs of comparable power. He and

Professor Swain (Medicine) emphasized that faculty recruits should speak to Faculty/Staff Housing as early as possible and have specific models run for them.

Responding to a question from Professor Satz (Philosophy), Etchemendy said that there are two types of additional flexibility that are not built into the primary program, but are available on the basis of genuine need. First, reduction of the down payment requirement to 5% on a needs-tested basis; and, under special and limited circumstances, additional DIP financing provided by the schools.

The Provost explained that the cost to the University of the revised housing programs was expected to start at approximately \$13 million in the first year. It would then increase each year for about 15 years to a level of approximately \$40 million per year, then begin going down as shared appreciation mortgages began to be paid off. He replied to Professor Tsien (Molecular and Cellular Physiology) by noting that the economic assumptions were fairly conservative, e.g., housing appreciation of six percent per year. Another limiting factor, Etchemendy said, is Stanford's overall debt limit, since the housing programs are projected to add about \$50 million in debt per year for roughly 15 years.

The Provost concluded by commenting briefly on other committee recommendations:

- rental assistance for Assistant Professors – being implemented for a standard size unit at Stanford West with a further reduction of rental rates to reach 30% of an Assistant Professor's household income
- remodeling loans – still being studied, due to potentially high cost to the University
- assistance to emeriti – program being developed to assist those who might wish to move out of campus homes and possibly into the senior complex at Stanford West.

The Provost responded to a question from Professor Pate-Cornell (Management Science and Engineering) by noting that the faculty has priority at Stanford West and all Assistant Professors could probably be accommodated in the over 600 rental units to be built there. For those who might not want to live in Stanford West, he advised that the deans were authorized to consider rental subsidies for Assistant Professors. Carolyn Sargent indicated that 50 of the 60 Stanford West apartments opened so far were occupied by faculty members. All of the new programs were being rolled out as quickly as possible, the Provost stated.

Professor Noll (Economics) received assurances that the fixed interest rate for MAP loans was to be regularly recalculated according to market circumstances, but would be fixed at the time of borrowing for each individual. Noll and Etchemendy also agreed that if large numbers of homes were built on campus in the future, it may not make sense to offer DIP loans for on-campus purchases, due to the interaction between the price of housing on campus and the University assistance programs. "You'd be dips if you did that," Noll joked. Finally, Noll suggested that Stanford should consider simplifying the borrowing process for the faculty by providing the conventional mortgage as well.

Professor Schatzberg (Psychiatry) lauded the new programs, noting however that they were awfully complicated. He and Professor Gast (Chemical Engineering) expressed concern that faculty members were often very fearful of the large amount of debt they were assuming. The Provost acknowledged the problem but asserted that alternative solutions such as those at NYU

and Columbia, which have university-owned housing for faculty, cause serious rationing problems and require a very large stock of housing. President Hennessy replied to Gast's comment about life insurance limits by pointing out that Stanford had just offered an expanded life insurance program, up to \$1 million, at very competitive rates. He observed that while the debt numbers are high, the ratio of debt to salary is not very different from what it was 20 years earlier. Sargent and Professor Taylor (Economics) also stressed that under California law, housing loans are non-recourse loans, which limits the borrower's risk. If the value of the house is less than the total mortgage loans, the lender holds the liability and cannot require the borrower to pay the difference between the sale price and the remaining loan balances, Sargent said. Hennessy explained that this carries with it an enormous exposure for the University, should the housing market crash precipitously at some time in the future.

Professors Heller (Biological Sciences) and Swain (Medicine) commended Carolyn Sargent and her staff on their very helpful work with individual faculty members, and both noted that the new programs had been immensely effective with very recent recruits. The Provost stressed the importance of having Faculty/Staff Housing run specific models as early in the recruitment process as possible, in order for people to be able to see that they can afford a decent house even in Silicon Valley. Professors Lipsick (Pathology) and Cohen (Mathematics) asked if these programs would really make Stanford housing comparable to places like Harvard or Yale. Etchemendy noted that housing in Cambridge is apparently about half as expensive as Palo Alto, so the fact that the housing assistance programs double the faculty member's home purchasing power should go a long way to addressing the differential.

In reply to a question from Professor Jaros (SLAC), Etchemendy and Sargent said that certain University and SLAC senior staff members are eligible for MAP and FARM loans, and that they were working to explore staff housing needs. Taylor pointed out that this was a very impressive program, with \$100 million of expenditures over five years. He also suggested that a Web-based "financial calculator" could be built so that faculty members could plug in different numbers and see the results for themselves. Sargent agreed with Schatzberg that the risks of the current housing market are also accompanied by significant potential future gains in equity value, which she does model for people.

The Chair thanked the Provost and all the other people who had worked on the new housing programs and Senate members applauded enthusiastically.

From the Committee on Academic Appraisal and Achievement: Graduate School of Business Grading Policy Change (SenD#5131)

Senate Chair Osgood introduced Professor Robert Hall (Economics), Chair of the Committee on Academic Appraisal and Achievement, to present a proposal to alter the GSB grading system. He noted that GSB Associate Dean Kreps, also a Senate member, was present to help answer questions. Hall showed a slide of proposed GSB grades (H, HP, P, LP, U, EX) along with their definitions and explained that the Business School faculty wishes to make these changes primarily in order to address two problems in the MBA program. The "golf problem" is that too many of the current grades fall in a range where there is little distinction and therefore no incentive for better performance, he said. The "poet problem" places some students, particularly those for whom English is difficult and those with weaker quantitative backgrounds, below the mandated standard in the first year even though most will recover and make valuable

contributions to the program. The proposed system strengthens incentives by making more distinctions in the middle of the distribution, and is more forgiving to students with the Low Pass grade, Hall stated.

Professors Pate-Cornell (Management Science and Engineering) and Brauman (Chemistry) voiced consternation that the GSB was using an entirely different grading system than the rest of the University. “What’s wrong with A+, A, A-, B+, B, etc.?” Pate-Cornell asked. Kreps and Hall explained that the GSB has a time-honored custom of using different letters for grades and that the current proposal simply refines the system by adding a fourth passing grade. Kreps expressed his personal willingness to carry back to his school the Senate’s strong encouragement that they consider using the University’s A-B-C grading system, if that was desired. He also noted that GSB faculty members teaching cross-listed courses currently have to provide grades for non-GSB students in the A-B-C format. Professor Martin (Graduate School of Business) elaborated further that GSB faculty members not only use different grading systems but also use different grading standards when undergraduates, Ph.D. students, and MBA students are mixed together in a course. “Different standards help us to be fair to students depending on where they’re coming from,” she said, “and help the Business School to be more open to the rest of the University.”

Professor Harrison (Graduate School of Business) provided a history lesson, advising that the GSB had changed to its P Plus-P-P Minus system in the early 1970s as a reaction to grade inflation in the rest of the University. The faculty wanted it to be clear that GSB grades did have a different meaning, and to enforce that meaning, he said. Harrison added that he had just heard the C-AAA annual report presentation and found it a bit of a scandal that there was so much apparent variation in grade distribution across different undergraduate departments and schools. Professor Rickford (Linguistics) agreed that the GSB system appeared to have “a degree of rigor built into it” that was not uniformly present in the rest of the University.

It was pointed out that the Law School and the Medical School also have somewhat different grading practices. Professor Greely (Law) indicated that the Law School uses A-B-C grades but has 23 discriminators between 2.1 and 4.3, urging the Senate not to take too strong a position with regard to particular schools “that have their own histories and long civil wars built around their grading practices.” Professor Swain (Medicine), on the other hand, suggested that the Medical School’s Pass-Fail grading system should be reexamined. Kreps reiterated that he would be happy to communicate to the GSB the Senate’s strong encouragement to consider using the University’s A-B-C grading system. After brief discussion of a possible Senate motion, the Academic Secretary said that she would be happy to convey the message by sending the minutes to GSB Dean Joss.

Professor Rehm (Drama) questioned whether the word “truly” in “performance of truly superior quality” had any real meaning. Rickford closed with a linguistics lesson, advising that “superior” has both a comparative and a superlative meaning. In common usage, it is often just comparative, meaning “superior to something else,” he said, “and doesn’t quite convey the sense of ‘outstanding’ and ‘superlative’ that the GSB framers probably intended.”

Chair Osgood said he found that a “truly superior way to end the discussion,” and called for the vote. The proposal to change the GSB grading policy, as recommended by the Committee on

Academic Appraisal and Achievement and set forth in SenD#5131, was approved by unanimous voice vote. “The popular vote wins. I’ll let you know what happens in the Electoral College,” Osgood joked.

As was obvious by the clock, the Senate Chair advised that there was no time for the C-ACIS annual report, which would be deferred to a future meeting. Obtaining a motion and a second, he declared the meeting adjourned at 5:00 p.m.

Respectfully submitted,

Susan W. Schofield
Academic Secretary to the University

November 9, 2000
Meeting of Senate XXXIII
RECORD OF ATTENDANCE

	Name	Unit
P	Abernethy, David	[07]
A	Bauer, Eugene	<i>ex-officio</i>
P	Baugh, John	[03]
P	Beasley, Malcolm	<i>ex-officio</i>
P	Brauman, John	[06]
P	Bravman, John	<i>ex-officio</i>
P	Cohen, Ralph	[06]
P	Dunbar, Robert	[02]
A	Efron, Brad	[06]
P	Etchemendy, John	<i>ex-officio</i>
A	Freyberg, David	[04]
P	Gast, Alice	[04]
A	Graham, Stephan	<i>ex-officio</i>
P	Greely, Henry	[09]
P	Hanson, Ronald	[04]
P	Harrison, Michael	[01]
P	Heller, Craig	[06]
P	Hennessy, John	<i>ex-officio</i>
A	Hildemann, Lynn	[04]
P	Huestis, Wray	[06]
P	Jacobs, Charlotte	[13]
P	Jaros, John	[10]
A	Johnstone, Iain	[06]
A	Joss, Robert	<i>ex-officio</i>
P	Keller, Michael	<i>ex-officio</i>
P	Klausner, Michael	[09]
P	Kreps, David	[01]
P	Kruger, Charles	<i>ex-officio</i>
A	Lafromboise, Teresa	[03]
P	Lipsick, Joseph	[12]
A	Markus, Hazel	[07]
P	Martin, Joanne	[01]
P	Monismith, Stephen	[04]
A	Montoya, James	<i>ex-officio</i>
P	Noll, Roger	[07]
P	Osgood, Brad	[04]

Present on Invitation or by Request:

Carolyn Sargent, Tim Warner, David Leith, Deborah Gordon, Herbie Lindenberger, Jeff Koseff, Jeff Wachtel, Betty Oen, Barbara Klein, Phuong Bajari, Odile Disch, Julie Lythcott-Haims, Robert Hall, Paul Segall, Jane Marcus, Jan Thomsen, Ian Mitchell

	Name	Unit
P	Palumbo-Liu, David	[08]
P	Papanicolaou, George	[06]
P	Parsonnet, Julie	[13]
P	Paté-Cornell, Elisabeth	[04]
P	Pencavel, John	[07]
A	Phillips, Denis	<i>ex-officio</i>
A	Plummer, James	<i>ex-officio</i>
P	Polhemus, Robert	[08]
P	Printup, Roger	[11]
P	Rehm, Rush	[08]
P	Rickford, John	[08]
P	Roth, Bernard	[04]
A	Saldívar, Ramón	[08]
P	Satz, Debra	[08]
P	Schatzberg, Alan	[13]
P	Schofield, Susan	<i>ex-officio</i>
A	Shoven, John	[07]
A	Spiegel, David	[13]
A	Steele, Claude	[07]
A	Sullivan, Kathleen	<i>ex-officio</i>
P	Swain, Judith	[13]
P	Tatum, Bob	[04]
P	Taylor, John	[07]
A	Traugott, Elizabeth	[08]
P	Tsien, Richard	[12]
A	Walbot, Virginia	[06]
P	Weingast, Barry	[07]
P	Weissman, Irving	[12]
P	Whittemore, Alice	[13]
P	Wooley, Bruce	[04]
P	Wright, Gavin	[07]
A	Yarbro-Bejarano, Yvonne	[08]
P	Zoback, Mark	[02]

Present on Standing Invitation:

James Robinson, Seth Newton, Serge Kassardjian, Mark Dominik, Alan Acosta

Outside Press: Bill Workman, Ann Konigsmark

