Report of the Ad Hoc Committee of the Senate of the University of Illinois at Springfield on The Academy on Capitalism and Limited Government

In accordance with the minutes of the UIS Senate Meeting from Sept. 24, 2010 “UIUC Campus Senate passed a resolution by majority vote, calling for the dissolution of the Academy on Capitalism and Limited Governance Foundation from the U of I Foundation. The University Senates Conference also took a vote in favor of resolving the affiliation with the U of I Foundation. Both resolutions have been transmitted to UIS. A UIS ad-hoc committee on the matter has been formed. Members include: Kline, Martin, and Boltuc. Once the committee concludes its work, a resolution along with the committee findings will be brought to the senate”. /ln. 31-37/. In compliance with this resolution the Ad Hoc Committee (later called ACLG AH-Committee) proceeded in the following manner:

1. On Sept. 26 ACLG AH-Committee compiled the timeline of major events (Appendix 1). It is based on the timeline listed on the UIUC Senate’s webpage with additional details. In order to document this timeline, the ACLG AH-Committee also collected major documents and press releases.

2. In early Oct. ACLG AH-Committee members, having studied available documents, decided on the need to seek further explanations and clarifications from parties involved.

3. On Oct. 21 all ACLG AH-Committee members traveled to Urbana-Champaign and talked to the new ACLG CEO Matt Brown and to the UIUC Senate Chair Joyce Tolliver. ACLG AH-Committee wants to thank both abovementioned persons for their time and friendly, helpful discussions.

4. On Oct. 28 one of the ACLG AH-Committee members, W. Kline, recused himself from writing this report in order to avoid a perceived conflict of interest. This was supported by the remaining ACLG AH-Committee members and accepted by the UIS Senate Chair.

5. The report was sent for consideration of the UIS Senate Executive Committee on Nov. 10.10

Summary of the findings

- Whereas we agree with the Ulen Report that stated goal (“[to] Encourage intellectual diversity and civil debate”; ACLGF Mission Statment) of the Academy on Capitalism and Limited Government Foundation is completely concordant with the University’s mission, we also agree with the Ikenberry Guidelines that “Academy Funds may be expended only in response to proposals submitted by University of Illinois faculty and staff that have been reviewed and approved for submission in accord with the process outlined” (June 30, 2010). This is re-emphasized by Tolliver’s letter (Jul. 27, 2010) stating: “Most importantly, the Academy Foundation can only expend funds, raised under the auspices of a supporting organization” on the proposals transmitted to the Foundation in accordance with the Ikenberry Guidelines and that “They cannot (...) 'go elsewhere' with these monies”, although we find that Tolliver’s point, which says that those funds need to be disbursed only, “in response to faculty-
initiated proposals,” goes too far since it is common practice to have Foundation initiated calls for proposals.

- In his letter to the ACLG AH-Committee from Oct. 26 M. Brown the CEO of the Academy on Capitalism and Limited Government says: “The Academy maintains two accounts, one at the University of Illinois Foundation, one at a private bank. Gifts from the Academy through its fund at the University of Illinois Foundation are used solely for educational programs approved by the University and subject to the University’s gift guidelines. Funds held by the [A]cademy in its private account are available for administration of the Academy and for any other purpose consistent with its non-profit public charity status and are not subject to university gift guidelines.” The ACLG AH-Committee finds it appropriate for the Foundation to maintain two accounts provided that (in their words), “Gifts from the Academy through its fund at the University of Illinois Foundation are used solely for educational programs approved by the University and subject to the University’s gift guidelines while Funds held by the academy in its private account are available for administration of the Academy.” However, it is inappropriate that “[funds held by the academy in its private account]” are also used “for any other purpose consistent with its non-profit public charity status and are not subject to university gift guidelines” because this use of the private account provides a way for the Foundation to circumvent Ikenberry guidelines and in fact to make them irrelevant. This confirms the charges raised by UIUC Senate and UI Senates Conference (later called the other senates) about the alarmingly hybrid status of the Foundation. No organization can risk the fact that some part of the funds raised under its auspices is used outside of the scope of its purview, and neither should UI. The use of the funds on the account outside of the University of Illinois Foundation for any programmatic (i.e. non-administrative) purposes is therefore not acceptable. This is the sole charge on which we are in agreement with the criticism raised by the other senates.

- The additional charges raised by other senates include the fact that various representatives of the Foundation seem to give various answers pertaining to the Foundation’s goals and procedures. They also include dissatisfaction with the fact that the Foundation appointed its CEO in late August. However, those charges seem mutually inconsistent since a functioning CEO provides a way to eliminate institutional inconsistency on the part of the Foundation; moreover such an appointment is consistent with the Foundation’s fundraising function and its ambitious goals in this regard. The other senates’ position is however understandable based on the fact that the Foundation seems determined to carry on its programmatic mission independent of UI governance (based on its stated use of its private bank account). Hence, this objection in fact boils down to the previous one.

- There is also a broader issue of how to maintain neutrality of the academic institution while also maintaining vitality of its social engagement. J. S. Mill has a strong argument that ideas can best be presented by their proponents. In this
respect we find somewhat worrisome J. Tolliver's statement at her meeting with the ACLG AH-Committee that this issue of ACLG prompted her to originate a review of other "non-neutral" institutions on the UIUC campus, including those institutions with long traditions of advocacy for progressive causes. UIS has demonstrated that with well-established ground rules, it is possible for a public university to engage groups of all affiliations and convictions in a way that enriches the education of students and scholarship of faculty. It is a matter of concern to us that if the UIUC standard of neutrality were applied to the UIS campus we could not successfully engage our community and state government in the way we have throughout our history. We believe that some level of institutional engagement is consistent with, and even more conducive to, free academic inquiry than the strict model of neutrality that has advocated by the UIUC senate.

- Whereas in the early versions of ACLG documents full focus seems to have been at UIUC, we welcome the shift of attention of the Foundation, which now includes UIS.

- In the light of the above findings we hope that the Foundation can work with UI on the basis of Ikenberry Guidelines; we want to point out that those guidelines were issued as recently as June 30, 2010 and in our opinion did not outlive their utility. In fact they pose a workable compromise between the two sides of the present conflict. They chip away some aspects of the vision of academic neutrality presumed, and advocated, by the Ulen Report and the other senates. Yet, they also require ACLG to desist from funding any activities outside of the regular University procedures. We encourage University Administration to work on persuading ACLG to give up the programmatic function of the private non-UI fund; existence of such function would put ACLG outside of the UI in an important manner. In such case we would join, reluctantly, the recommendation of the UIUC senate and USC to consider the steps aiming at the removal of ACLG from the UI Foundation.

Appendix 1: The timeline of events.
Appendix 2: The Letter from CEO Brown to the UIS ad hoc Committee
Appendix 3: The Ikenberry Guidelines

*Other relevant documents mentioned in Appendix 1 can be searched at the UIUC Senate’s website*

Peter Boltuc, Associate Professor of Philosophy; UIS senator

John Martin, Assistant Professor of Astronomy; USC representative; UIS senator
APPENDIX 1 The Timeline

2006, July – ACLGF created

2007, March 4 – Op ed from Tom O'Laughlin (Laughlin Op ed) (It states the composition of the board at the end)

2007, September 24 – Letter from Chancellor Herman

2007, September 24 – Letter from Herman creating Advisory Committee

2007, October 1 – Sense of the [UIUC] Senate Resolution

2007 October 10 – Letter from Chancellor Herman

2007 October 29 – Cover Letter for the Final report of the Chancellor's Advisory Committee, cf “Ulen_aclgf_report”, (Ulen Cover Letter)

2007 October 29 - REPORT OF THE CHANCELLOR'S ADVISORY COMMITTEE ON THE ACADEMY ON CAPITALISM AND LIMITED GOVERNMENT FUND

2007 November 5 – Final proposed Faculty Senate resolution RS.08.01 (RS081)

2007 November 7 - Letter from Chancellor Herman

2008, July 29 – Final report from Chancellors Advisory Committee (Ulen Final Report)

2010, June 30 – Ikenberry Guidelines for grant proposals. (Ikenberry_guidelines_063010)

2010, July 18 10:00 am – News Gazette Article “Academy on Capitalism paid for $64,000 in projects at UI in 2009” (News Gazette 071810b)

2010, July 18 10:00 am – News Gazette Article “Academy on Capitalism still has strong ties to UI campus”<span></span> (News-Gazette 071810)

2010, July 27 – Senate Executive Committee to ACLGF (SEC_to_ACLGF_072710)

2010, July 30 – ACLGF letter to UIUC SEC (ACLGF_to_SEC_073010)

2010, August 30 – Initial resolution on ACLGF at UIUC (aclgf_res_100830)

2010, September 8 – Inside Higher Ed Article “The Academy that didn’t go away”. (Higher Ed News 090810)

2010, September 29 – “Constitutional Scholar to Address UI symposium” (News Gazette 092910)

2010, October 3 – Daily Illini article “Resolution would cut ties to nonprofit” (The Daily Illini 100310)

2010, October 4 – Version of resolution passed by UIUC Senate (sc1103_approved)
APPENDIX 2 Letter from Brown

Academy on Capitalism and Limited Government Foundation: 
Setting the Record Straight

The Academy is committed to the advancement and celebration of the outstanding academic, educational and public service record of the University of Illinois. We hope we will be able to quickly put this debate behind us and focus on the critical cause of advancing the University in these times of great challenge, but also great opportunity.

In the previous four years the Academy’s support has brought significant intellectual talent and opportunity to the students and faculty of the University of Illinois. Just this past month, Richard Epstein, one of the world’s most highly-regarded legal scholars spent a day meeting with students, professors and the community. His is merely the most recent of great programs the Academy has supported. The Academy has also supported visits by leading businessmen, philanthropists, journalists, opinion leaders and numerous scholars. It has also funded the development of innovative course work, significant study abroad opportunities, faculty travel and public debate. The public, student and donor interest in these activities has been enormous and there is virtually boundless opportunity to engage additional donors to support a much higher level of innovative and rewarding educational opportunities for the University’s students and career advancement opportunities for the faculty should the Academy be freed from the cloud that has been undeservedly placed over it. Unfortunately, the public and faculty discourse surrounding the Academy has often hindered rather than supported progress on resolving this issue.

In the course of the Faculty Senate’s discussion and dissemination of its resolution concerning the Academy a number of misleading and inaccurate statements have been repeatedly made, which have mischaracterized the nature and history of the Academy. The repeated and systematic propagation of these statements have distorted the discourse surrounding the Academy and its status in the University community. The process has devolved, in the words of one senate member, into “a witch hunt” rather than a truth seeking inquiry. Some of the more prominent inaccuracies about the status and history of the Academy are addressed below with corrections of fact (page numbers refer to the Senate resolution of October 4).

History:

- **Inaccuracy:** The Senate resolution and debate have continuously referred to “secrecy” and a “lack of transparency” in the process of establishing the Academy (see for example: “agreement was negotiated in secret” (p.1), “rewritten and renegotiated in secret” (p. 8), “suffered from the very beginning form a lack of transparency” (p.9) and many public statements.)

- **Correction:** The Academy conducted all of its negotiations and agreements with the proper University authorities and each agreement has been approved, both verbally and in writing, by the appropriate high-level University or Foundation official.
Further the Academy has always sought and received the appropriate recognition of government authorities for its non-profit status—a process that requires full-disclosure of all financial arrangements—there have been no secret dealings.

The Academy was formed by enthusiastic alumni and supporters of the University of Illinois to expand financial and intellectual support for the University. They recognized that the Academy has the potential to bring largely untapped donor, alumni and intellectual resources to the University.

The Academy is committed to the advancement and celebration of the outstanding academic, educational and public service record of the University of Illinois. Statements about secrecy and lack of transparency made by the Senate are nowhere supported by fact and demean the Academy and its supporters by suggesting nefarious motives where none exist.

Philosophical Underpinnings:

- **Inaccuracy**: The faculty senate leadership has repeatedly, in published and private remarks, unfairly undermined the legitimacy of the Academy by claiming it is simply a vehicle of indoctrination not bound by any academic integrity. (see, for example, “commitment to doctrine” (p. 10) and “they predetermine the conclusions of such inquiry” (p. 11).

- **Correction**: These allegations are not supported by any facts, despite the clear attack they represent on the academic integrity of the University of Illinois faculty who have worked with the Academy and the world renowned intellectuals who have visited the University with Academy support, not to mention the integrity and morality of some of the University’s largest benefactors who support the Academy.

- Many of the Academy’s founders and supporters are motivated by their personal experiences and research suggesting the positive impact free-market capitalism and limited government have had on human well-being and society’s historical evolution. This is perfectly legitimate and academically acceptable.

- The Academy’s agreement with the UI Foundation clearly states: “Although the Academy and its donors share a clear set of philosophic perspectives, it is understood that when translated into a scholarly setting these perspectives represent hypotheses to be tested, rejected, or qualified on the basis of careful, scrupulous, and open-minded empirical research. The Academy intends to fund research that subjects its perspectives to precisely this kind of scrutiny. The Academy will seek to ensure that its support is available for all University of Illinois or other faculty who wish to explore the nature and consequences of the Academy’s political, economic, philosophical perspectives in these exacting ways.”

Structure:

- **Inaccuracy**: The Senate leadership has repeatedly accused the Academy of trying to evade appropriate governance by the faculty or the University (see, for example, “failure to recognize appropriate campus governance and oversight” (p. 9).

- **Correction**: The original Academy agreement, agreed to by appropriate University leadership, gave ultimate approval of Academy expenditures to the Chancellor—how is that not proper university control? The faculty Senate
rejected this arrangement and at their demand a separate organization was created, outside of the University.

- The Academy is a non-profit organization supporting the University through the University of Illinois Foundation.
- The Academy is recognized by the IRS as a public charity under section 501c3 of the IRS code and further as a support organization of the University of Illinois Foundation under section 509a3 of the code. Approval of this status was granted by the IRS in August of 2010.
- The Academy is not an entity or unit of the University, nor does it claim to be in any way.
- Statements that the Academy has been evading oversight are clearly not supported by the record and unfairly discredit the legitimacy, based on no factual evidence, of the Academy’s mission and legal status.

Relationship to University:

- **Inaccuracy:** The Senate leadership has often repeated the charge that while the Senate has toiled diligently with the Administration to reach an arrangement with the Academy, the Academy has evaded these efforts at agreement (see, for example, “repeated attempts over the course of the next year and a half” (p. 1)). The faculty senate has also claimed that it has “struggled to find information” about the Academy (p. 3) and that the Academy’s history is characterized by a “lack of openness” (p. 3).
- **Correction:** At each step in the evolution of the Academy its board members have worked closely with the University and the Foundation to reach, in good faith, legally binding agreements that the University or Foundation have approved. Despite its legal rights, the Academy has voluntarily agreed, at the great financial expense of its donors, with the University to dissolve agreements in hopeless attempts to satisfy the faculty Senate.
- The Academy is governed, like any independent non-profit, by a board of directors. It is not governed by the University, nor does it have any governing authority over the University.
- There is no mechanism by which the Academy can influence University governance, academic freedom, institutional neutrality or the University’s autonomy.
- The Academy does not control or in any way censor the research, publications, or academic content of faculty it supports. Rumors that the Academy has ‘veto power’ over publications produced by faculty members have been reported back to the Academy by faculty and are clearly supported by no basis in fact.
- The Academy, far from trying to ‘evade’ reaching agreement with the University has spent tens-of-thousands of dollars—money that could have been better spent supporting students and faculty—to rewrite legally valid agreements in a vain attempt to satisfy faculty critics.
- The Academy’s board members and leadership have repeatedly made themselves available to the members of the faculty senate to try to correct misperceptions. Various meetings of this sort have inevitably ended with a failure to acknowledge errors of fact and judgment. Of the 250 members of the Senate exactly 2 reached out to the Academy’s president with questions; both members had been provided
information about charges against the Academy that were grossly inaccurate and clearly not based on any evidence.

Support from the Academy to the University:

- **Inaccuracy:** The Senate leadership has repeatedly pressed the clearly inaccurate case that the Academy is attempting to subvert standard university operating procedures with regard to funding, with the implication being that money is being used to corrupt the academic integrity of the University (see, for example, “failure to recognize appropriate governance” (p.9); “final attempt to bring this entity under appropriate academic governance” (p.9); and “there still was no mutual understanding about the Ikenberry rules and what they entailed” (p. 12).

- **Correction:** The Academy has fully agreed to, and is supportive of, the Ikenberry Guidelines that govern how funds coming from outside sources should be approved for University use. The Academy’s only request, far from unreasonable, is that it be treated no differently than any other donor supporting the University. Inaccurate statements on this account have led to great misunderstanding among the faculty about how the Academy operates.

This issue is clearly addressed in the Academy’s agreement with the UI Foundation: “The application of principal and/or net income from the Fund shall be for those activities and purposes for which the Donor makes grants pursuant to proposals from students, faculty, colleges, departments or units which are made in accordance with University of Illinois policies, procedures and regulations.”

- The Academy, like any donor, can make funds available to the University community to pursue the University’s academic mission consistent with the mission of the Academy.

- The University, like all universities, maintains regulations regarding the receipt of gifts from private donors which ensure that the University’s integrity and autonomy are safeguarded.

- **Funds coming from the Academy to the University are subject to the same procedures required of any major donor who wishes to support the University.**

- The Academy maintains two accounts, one at the University of Illinois Foundation, one at a private bank. Gifts from the Academy through its fund at the University of Illinois Foundation are used solely for educational programs approved by the University and subject to the University’s gift guidelines. **Funds held by the academy in its private account are available for administration of the Academy and for any other purpose consistent with its non-profit public charity status and are not subject to university gift guidelines. [highlight by ad hoc committee]**

- The Academy has never sought nor would it accept authority over academic programming or curriculum at the university.

Well-Being of the University:

- **Inaccuracy:** The faculty senate has repeatedly implied that the Academy’s existence undermines the academic integrity of the University of Illinois and the Academy must be removed from any relationship with the University or the
Foundation for the good of the University—as if some nefarious scheme had been hatched by the Academy’s founders to undermine one of America’s great universities.

- **Correction**: The success of the Academy’s mission is tied directly to the success of the University. The Academy can only be successful if the University’s status as a premier research university is maintained and enhanced through quality, academically credible programming and financial support.
- The donors to the Academy have committed a great deal of their personal time and wealth to the advancement and well-being of the University over their lifetimes; their support of the Academy is one additional mechanism by which they pursue those objectives. The Senate’s repeated, often inaccurate, attacks on the Academy, its donors and faculty supporters are a needless distraction of precious resources and donor enthusiasm and have only resulted in losses in efforts to support and improve the world-class status of the University.

**Conclusion**: The Academy on Capitalism, its board, donors and leadership are committed to the highest standards of excellence in pursuit of the Academy’s mission to support and advance the University of Illinois. The sole purpose of the Academy is the continued advancement of the University through the funding of educational and scholarly opportunities related to the study of capitalism and limited government. Historically, research and scholarship on these topics has been conducted by some of the most prestigious and celebrated scholars in the world and their work has been among the most influential ever produced in numerous fields. The Academy would like to help make the University of Illinois a part of that tradition of world-class scholarship in economics, humanities and business, etc. From the beginning, the Academy has been committed to working with the University’s leadership and has abided by, and will continue to abide by, all of the University’s procedures and guidelines as well as pursuing strict compliance with relevant tax laws governing non-profit organizations. Despite rhetoric to the contrary, the Academy’s activities and support to-date have upheld the highest standards of quality and integrity and introduced the students and community of the University to world class intellectuals and leaders. Our mission is to continue this great contribution to the University and ensure the University’s continuing status as one of the world’s great public universities.
APPENDIX 3 Ikenberry Guidelines

UNIVERSITY OF ILLINOIS
   Urbana-Champaign • Chicago • Springfield

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Urbana, IL 61801-3689

Stanley O. Ikenberry
President

June 30, 2010

To: Paula Allen-Meares, Chancellor
   Robert A. Easter, Chancellor and Provost (Interim)
   Sidney S. Micek, University of Illinois Foundation
   Richard D. Ringeisen, Chancellor

From: Stanley O. Ikenberry

Re: Guidelines for Proposals to the Academy on Capitalism and Limited Government

Colleagues:

I write to clarify procedures to be followed in the development and submission of grant proposals for consideration by the Academy on Capitalism and Limited Government (Academy). As a 509a3 donor directed fund held by the Foundation, Academy Funds may be expended only in response to proposals submitted by University of Illinois faculty and staff that have been reviewed and approved for submission in accord with the process outlined below.

Effective July 1, 2010, the following processes shall be followed:

Faculty and staff proposals to the Academy on Capitalism and Limited Government shall be forwarded to and reviewed by the appropriate department head or chair; the relevant dean or director; and forwarded to the Office of the Vice Chancellor for Research. As in the case of proposals to other funders, proposals for consideration by the Academy will be reviewed to assess the capacity of the campus to carry out the proposed plan of work, compliance with state, federal and institutional regulations, and consistency with the mission of the University.

The Academy will issue calls for proposals and decide among grant proposals according to a review process of its own design, provided such proposals have been reviewed and authorized by the Office of the Vice Chancellor for Research. Following appropriate review and approval by the Office of the Vice Chancellor for Research proposals will be forwarded to the Academy for review.

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June 30, 2010

I have asked that steps be taken by the Academy, in consultation by University Counsel, to review and update the Academy’s Website and other communications and documents to clarify the process for submission of proposals, as outlined above.

These principles and processes shall be reviewed no later than three years from this date to identify refinements and improvements as may be appropriate. As issues or concerns arise prior to that time they should be brought to the attention of the Vice Chancellor for Research and/or Chancellor. The three-year review shall be carried out in consultation with the faculty.

Thank you very much for your assistance in this matter. Please inform appropriate University faculty and administrative officials regarding these policies and processes.

c: Nicholas C. Burbules, Senate Member
   Skip Garcia, Vice Chancellor for Research, Chicago
   Avijit Ghosh, Vice President for Technology and Economic Development
   Brad Hatfield, University of Illinois Foundation
   Ravishankar Iyer, Vice Chancellor for Research, Urbana-Champaign
   Meena Rao, Vice President for Academic Affairs
   Joyce L. Tolliver, Senate Chair
   Steven A. Venzie, Deputy University Counsel