

Comments

REGENTS Comments

A few points...

As you know, on rare occasions when I believe

the future of the University is at stake, I will ask the members of the Board to set aside their personal positions and join together in unanimous support of the University administration

I believe that the budget you will act on this morning is

one of these rare moments...

The University is facing a very difficult situation

...financially and politically

We have worked very hard

...to put together a budget we believe deals effectively with the unprecedented uncertainties characterizing the year ahead

...does not impose unusual burdens on our students...

...and, indeed, lags significantly behind the tuition actions taken by most of our public peers

...worked closely with the Board throughout the last several months to keep you involved

...and worked closely with Joe Schwartz and the Governor to provide them with the best possible ammunition to deal with the difficult conference committee process ahead

I understand that there may be bits and pieces of

this plan that some of you question...

But I want to stress that this budget is a very carefully

designed package to meet both financial and political challenges, and it would cause great damage to your University if

...it fails to pass

...or it gets tampered with in public session

To this end, I believe it is my duty as President to ask you for

- i) your unanimous support of the budget recommendation of the Officers as presented
- ii) if, for some reason, you do not feel you can join in with your colleagues in support of this, at the very least please abstain
- iii) and, please, for the sake of the University, let's not play any games this morning by attempting to dissect the budget recommendation in public session

Let me stress several key points in this budget.

First, it is clear that this year we face an unusual degree of uncertainty...

...at this point Lansing has yet to reach agreement on our appropriation for the year ahead

...further, the financial health of the state is still quite precarious

...third, there is still great concern that

Washington will be able to deal rationally and fairly with the series of issues triggered by the Stanford hearings on research overhead may instead take capricious action which would cause great damage to universities which have been distinguished by their careful stewardship of federal funds...such as the U of M...

...fourth, the deterioration of university facilities is entering a phase that can only be characterized as desperate...in the face of a total state freeze on university capital outlay projects for the last several years and the lack of funds for deferred maintenance

...fifth, we are facing great uncertainty in the face of

...-1% cut in FY90-91

...loss of \$3.4 M in deferred maintenance

...deferral of August and September payments (incurring \$1.75 M in interest costs...and risk of possible loss of \$25 M altogether)

Second, it is also clear that this budget has been assembled with great restraint...

...a very modest salary program...particularly
in the face of inflation and actions taken
in the private sector

...very significant internal reallocation and cuts
...in part as the first phase of the total quality
effort launched by Provost Whitaker

...In this regard, I should note that of the top 25
universities in the nation...as ranked by USN&WR
...the University of Michigan is second lowest
in cost...indicating once again that we are clearly
one of the most cost-effective universities in
the nation

...More specifically, the evidence clearly indicates
that the University achieves a higher quality at
lower cost than any other university in America!

...a carefully tailoring of budget proposals for
each of our three campuses which best meet
their particular needs and challenges

And third, one again, we believe that despite the serious
financial pressures we face, we have shown great restraint
in our tuition recommendations.

i) In this regard, let me note that our recommended 7.0%
increase compares with:

10.1% for public higher education nationwide

12.8% for those 30 states experiencing deficits

40% for UC, 60% for SUNY, 40% for UNC...

ii) Despite the frequent media attention devoted to
tuition at Michigan's public institutions, let me
also note that we have lagged behind the national
average for most of the 1980s...More specifically,

for the past 8 years

tuition increases have averaged only 5.4% per year less than

...the inflation rate we face...5.9%

...the increase each year in per capita income...5.5% and in the face of

...a state appropriation increasing at only 3.6%

over the decade...falling far behind inflation

iii) Further, when one considers that Michigan continues to follow a policy of guaranteeing that ALL Michigan residents enrollment in the University will be provided with adequate financial aid to meet their needs until graduation, it is also clear that we are more affordable and more accessible than at any previous time in our history.

iv) Let me make this point more strongly...

...Roughly 65% of UM students benefit from some form of financial aid...amounting to over \$140 M last year

...In fact, when one discounts our tuition by the average financial aid received by our students, it is clear that the "net" or "discounted" tuition faced by our students...and their parents...has actually declined throughout the 1980s and now amounts to only \$1,224 per year!

v) Here, there is a certain irony. As state and federal support of financial aid has deteriorated over the course of the 1980s, the University has accepted an ever increasing responsibility to fund its financial aid programs from internal sources...including tuition revenue itself.

In this sense, the University has increasingly asked those more affluent families, those who have the capacity, to pay a bit more of the true cost of education for their students in order to provide those less fortunate with the opportunity to attend. Put another way, when public tax support for higher education wanes and becomes inadequate to provide broad access to quality education, then tuition serves, in effect, as a surrogate and highly progressive "tax" on those with the capacity to pay a bit more of their fair share of the costs so that those less fortunate are not denied access.

Put another way, the modest tuition levels charged to Michigan residents by the University should not be viewed as barriers to access...but, indeed, are actually the keys to providing broad access to the University for ALL of Michigan's citizens, regardless of economic means.

It is clear that this is a time of great difficulty for the state of Michigan...a time for the reordering of priorities...the restructuring of state government.

We are deeply gratified and encouraged by the belief by Governor Engler and the Legislature that education is the key to Michigan's future...and must be regarded as among our highest priority.

We are keeping our fingers crossed in the hopes that our state leaders will be able to hold fast in their willingness to protect education throughout this period of dramatic restructuring of state government.

Yet let me note, in conclusion, that this drama is far from

over...there are many uncertainties ahead...and further adjustments of our budget may be necessary in the months ahead.

We will keep the Regents closely informed as we attempt to adjust to problems and challenges that are almost unprecedented in modern times.