

House Republicans

Introduction

Welcome to UM...

...a busy week...

Introduce Glenn Stevens

I would like to begin by making a few general comments
before moving to the details of the FY91-92 budget request
and responding to your questions.

My Message

My message today will expose both of
my character flaws as a scientist/engineer...
...it will be a vision of the future...
...and it will be unusually candid.

Few realize the the ever-accelerating
pace of change in our world...our nation...
...and, perhaps most of all, in our state.

Who would have predicted several years ago
...end of communism in Europe
...destruction of Berlin Wall and
reunification of Germany
...that the Soviet Union, China, together with
most other nation's of the world would act
together to defeat the actions of an
aggressive dictator in the Middle East
...that the U.S. market share of foreign automobile
manufacturers would rise above 50%...
...or that Bo Schembechler would become
president of the Detroit Tigers

Yet these changes are just the tip of the iceberg
...there are even more profound changes occurring
in our state...

We are becoming more diverse, more pluralistic
as a people. Indeed, almost 85% of the new
entrants into our workforce during the 1990s
will be people of color, women, or immigrants.

Our economy and commerce are becoming every day
more interdependent with other nations as
the United States becomes a world nation,
a member of the global village --

And we are rapidly evolving into a new post-industrial
society, in which the key strategic resource
necessary for prosperity and social well-being
has become knowledge itself, that is,
educated people and their ideas.

Indeed, knowledge will play the same role that
in the past were played by natural resources
or geographical location or labor pools...

In the pluralistic, knowledge-intensive, global
future that is our destiny, it is clear that the
quality of and access to
...education in general
...higher education in particular
...and great research universities
such as the University of Michigan
and its sister institutions
most specifically of all...
are rapidly becoming the key factors in
determining the strength and prosperity
of our state.

But here there is some good news...
America is particularly well positioned,

since our research universities are clearly the envy of the world, as evidenced by the extraordinary demand by graduates of every country to see advanced education and training in the United States.

Indeed, higher education is not only our nation's highest quality, but also probably also its most competitive industry as measured by the test of the marketplace!

Further, Michigan is especially strong from this perspective, since our state has built over the years not only one of the best systems of public higher education in the nation, but possesses several of the world's leading research universities.

But, now for the bad news...and the candor...

We--that is YOU AND ME--seem hell-bent, both as a nation and as a society, on destroying the extraordinary resources represented by system of public education--from K through 12 through 16 through lifetime education-- just as we are entering an age of knowledge in which they will become our most valuable resources.

Indeed, a tragic combination of public misunderstanding, short-sightedness, and downright selfishness, is now threatening to deprive our children and grandchildren of the same opportunities for a quality education that you and I enjoyed-- because of the sacrifices of our ancestors.

Leading to the frightening prospect that we will manage to destroy our international competitiveness of education just as we have many other American industries.

In my home state Missouri we have an old saying that the best way to get a mule to move is to first hit it over the head with a 2x4 to get its attention.

Now that I have your attention, let me explain more clearly what is at stake here...

Themes of Change

Let's look at some of the changes a bit more closely. to see what they might hold for you.

1. Demographic Change

America's people are changing rapidly...

We are an aging society.

Indeed, today there are more people over 65 than teenagers in this country, and this situation will continue for many decades.

Further, the growth rate in both our population and workforce is declining to the lowest level in our nation's history.

America will simply not be a nation of youth again in your lifetimes.

What does this mean for you?

Probably you will find more jobs available

but you might have to work longer before retiring because you and your generation will have to support more medical care and other benefits for senior citizens who are living longer

and whose numbers and political influence are growing.

But there is an even more profound change occurring in the population of our nation.

America is rapidly becoming the most pluralistic,

multicultural nation on earth.
Women, minorities, and immigrants already account
for about 85% of the growth in our work force.
By the year 2000, they'll represent 60% of all of our nation's workers!!!
Indeed, those groups we refer to today as
minorities will become the majority population of
our nation in the century ahead...just as they are
today throughout the world.
In addition, women are already the predominant
gender in our nation and our institutions,
but the difference now--and a very splendid difference it is--
the difference is that they are rapidly taking up
their rightful place as leaders of our society.

What do these changes mean for you.

You will need to be able to work, cooperate
and communicate effectively with people
from many different backgrounds, to value their contributions.

You as a person and we as a society
will have to leave our prejudices behind us.

We can't afford them any more.

Your challenge will be to help build the common bonds and
values that unite us as a democratic society,
even as we learn to respect and value our differences.

The growing pluralism of our society is perhaps our greatest
challenge as a nation...yet it is also among our most important
opportunities, since it gives us an extraordinary vitality
and energy to be able to draw on the talents, experience,
ambition, and leadership of many groups in our society.

It will be you and your generation that can, and I believe will,
build the kind of culture that thrives on the strengths of diversity,
even as it strives to find the values that bind us together.

2. The Internationalization of America

The reality of the second major change was signaled
by an event that happened almost exactly two decades ago
when Apollo 11 set down on the Sea of Tranquility
to put man on the moon.

The image I have in mind is that extraordinary photo of the earth
taken by Lunar Orbiter as it circled the moon...
...an image that dramatically revealed how
nations and peoples are passengers together
on spaceship Earth.

It was a portent of today, a time in which all aspects of
American life are becoming increasingly "internationalized",
in which our nation has become a member of a truly
global community.

Whether through travel and communication, the arts and
culture, the internationalization of commerce,
capital and labor, we are becoming increasingly interdependent with
other nations and other peoples.

The world and our place in it have changed forever.

The fact is that a truly domestic US economy has ceased to exist.
...It is no longer relevant to speak of the Michigan economy,
or the competitiveness of Michigan auto manufacturing,
tourism, or agriculture.

These are all affected by events and process
far beyond our national or state borders.

We are no longer self-sufficient or self-sustaining.

We are not immune to the events occurring in once remote regions.

We have only to look at recent events in the Persian Gulf
to realize the truth of this statement.

It means that American business and workers must work harder

to keep the competitive edge and we must be prepared both to compete with and work cooperatively with people from different parts of the world.

Internationalization is having another impact on our country and state. The US has become the destination of about half the world's immigrants Probably 10 million this decade alone...

As we have been throughout our history, we continue to be nourished and revitalized by wave after wave of immigrants, coming to our shores with unbounded energy, hope, and faith in the American dream.

America is evolving into the first true "world nation", with not simply economic and political but also ethnic ties to all parts of the globe...

This suggests how important it will be in years to come for you to gain understanding cultures other than our own not only for personal enrichment and good citizenship, but indeed, necessary for our very survival as a nation.

3. The Age of Knowledge

Looking back over history, one can identify certain abrupt changes, discontinuities, in the nature, the very fabric of our civilization...

The Renaissance, the Age of Discovery, the Industrial Revolution Our society is once again undergoing such a dramatic shift in fundamental perspective and structure.

Today we are evolving rapidly to a new post-industrial, knowledge-based society, just as a century ago our agrarian society evolved through the Industrial Revolution.

We see signs of this all about us.

Industrial production is steadily switching away from material and labor intensive products and processes to knowledge intensive processes:

In a car, 40% materials, 25% labor...

In a chip, 1% materials, 10% labor, 70% knowledge!!!

(In fact, the material for computer chips is the world's most common substance...sand!!!)

High-tech industries based on knowledge--computers, semiconductors, biotechnology, synthetic materials-- are replacing industries based on natural resources as the source of economic growth and strategic strength.

Indeed, already 40% of all new investment in plant and equipment goes to purchase information technology...computers, networks...

We are in the midst of an information revolution that is changing the basis of economic competitiveness and world power.

Today information and data flow quickly around the world.

We learn about events almost as they occur. The world is linked electronically. And, as a result, the relationships between nations and the pace of change are increasing rapidly.

Indeed, if you want to know the real reason why the we are now seeing the extraordinary transformations in the Soviet Union and Eastern Europe, it is not due to diplomacy or economics but rather the silicon chip... that is, to modern communication and information technology which make it impossible for totalitarian governments to isolate their societies from the rest of the world.

A fundamental transformation is underway in our economy that is reshaping virtually every product, every service, and every

job in the United States.
In our country, as in all developed nations, "knowledge workers"
have already become the center of gravity of the labor force.
In a sense, we are entering a new age, an age of knowledge,
in which the key strategic resource necessary for our
prosperity, security, and social well-being has become knowledge.
In this world, educated people and their ideas
have become the wealth of nations.

The Signs of Change in Michigan

Needless to say, these same challenges of pluralism,
of globalization, and of this age of knowledge
that is our future will pose great challenges and
demand similar changes in our state and our nation.
The America of the 20th Century that we have known...
was a nation characterized by a rather homogeneous,
domestic, industrialized society...
But that is an America of the past.
Our children will inherit a far different nation...
a highly pluralistic, knowledge-intensive, world nation
that will be the America of the 21st century
The impact of these changes are already painfully apparent
to Michigan's workers and industries.
In fact, it is here in Michigan...in the heart of the "Rust Belt"
that the impact of these extraordinary changes are
most clearly seen...
We all know that past decade was a period of
great difficulty for our state...
Industries of great economic importance to our
nation such as steel and automobiles have
fallen victim to intense competition from abroad...
Plants have closed...we still have many people chronically
unemployed...or under employed...
There are many indicators of the impact of this
transition on our state...
Over the past decade, Michigan has slipped badly
in several key indicators of quality of life:

- 30th in per capita income
- 41st in overall employment
- 48th in business climate (perceived)
- 48th in high school graduation rates
- 50th in return on federal tax dollars

Oh, we still rank near the top in some things...
For example, we rank...

- 12th in property tax burden
- 14th in teenage unemployment rate
- 13th in incarceration rate (and rising rapidly)
- 13th in percentage of children in poverty
- 10th in infant mortality
- 4th in public aid recipients
- 1st in mortality from major disease

There is still one additional category of indicators of some
concern, and these reflect our willingness to
invest in the future. Michigan ranks

- 37th in support of HE per student
- 45th in support of HE during 1980s
- 40th in support of K-12

In fact, numerous studies over the past several years have
suggested that Michigan is seriously underinvesting
in its "knowledge infrastructure"...by as much as
30% to 40% relative to other states.
The situation is somewhat different yet no less acute for

higher education in our state.
 While the quality of Michigan higher education today is still high, the long term prognosis is poor if we continue as we have been in recent years.
 Over the past two decades, the State of Michigan has dropped from the position of a national leader (ranked 6th in 1965) in its public support of higher education to among the lowest in the nation.
 Let's look at the comparisons for a moment:
 Among the states, Michigan currently ranks
 i) 33rd in appropriations per student
 ii) 37th in appropriations as a percent of personal income
 iii) 35th in appropriations as a percent of tax revenue
 Further, we not only fall significantly below the national average in our support, but it is clear that we are slipping even farther behind with each passing year:
 In fact, the increases we have provided in our support to higher education now rank
 iv) 42nd over the past two years
 v) 45th over the past ten years
 nearly dead-last among the states.
 Whether measured in terms of state appropriation per student or fraction of our tax dollars directed toward higher ed, it is clear that in comparison with other states, our present level of public support is simply inadequate to maintain over the long run a system of higher education that is competitive on a national basis.
 We have become consumers of education, not investors in the future.

The Dangers of Underinvestment

But here there are dark clouds on the horizon...
 increasing evidence that we as a people have not yet recognized either the nature or the magnitude of the investments we must make to achieve prosperity in an age of knowledge.

1. Over the past several years, numerous studies have suggested that Michigan is seriously underinvesting in its "knowledge infrastructure"...by as much as 30% to 40% relative to other states.
2. The challenges faced by K-12 education are apparent. By any measure, K-12 is in serious trouble.
 We are "A Nation At Risk"...

Note: it is bad enough that...
 10% of Americans are illiterate
 25% now fail to complete high school

But in recent years we have learned that in international comparisons of achievement in science and mathematics, our grade school and high school students score at the very bottom of industrialized nations.
 We are a sports-oriented society, and we like to frame issues in the language of the playing field like "being Number one".
 But folks, this isn't a game we are talking about today, this is a deadly serious matter of raising a generation of American who will be able to hold their own in an increasingly competitive, increasingly complex, increasingly science-oriented world.
 The coins of the realm in the age of knowledge will be

science, mathematics, and technology...

But most American students are simply not developing these skills.

They aren't even learning the basics...

reading, writing, critical thinking, languages
geography, history, literature, the arts

We hear along about the 21st century, but this sounds remote.

These kids that test at the bottom of the heap
in world terms will be the backbone of our labor force
at the turn of the century...

...and will be running our country in 2025!

In fact, you will be entirely dependent upon the
productivity of this undereducated generation
to support your social security programs and
your government during your retirement years.

Unfortunately, what is also apparent is our inability
to agree on actions aimed at improving the
quality of our schools--or equity in their financing.

3. The situation is somewhat different yet no less acute for
higher education in our state.

While the quality of Michigan higher education today is
still high, the long term prognosis is poor
if we continue as we have been in recent years.

Over the past two decades, the State of Michigan
has dropped from the position of a national
leader (ranked 6th in 1965) in its public support
of higher education to among the lowest in the
nation.

Let's look at the comparisons for a moment:

Among the states, Michigan currently ranks

- i) 38th in appropriations per student
- ii) 37th in appropriations as a percent of personal income
- iii) 26th in appropriations per capita

Further, we not only fall significantly below the national
average in our support, but it is clear that we are
slipping even farther behind with each passing year:

In fact, the increases we have provided in
our support to higher education now rank
iv) 42nd over the past two years
v) 45th over the past ten years
nearly dead-last among the states.

Hence, no matter how you slice it, our state now
ranks among the lowest in the nation in its
support of higher education.

As a highly industrialized state undergoing a
dramatic change to a knowledge-intensive
economy, Michigan is critically dependent upon
quality higher education for well educated citizens
and creative ideas. Yet Michigan has
now fallen into the bottom ranks of industrialized
states in its support of these critical resources.

We are being outspent by 30 - 40%
in state support per student...

Not simply by prosperous states like
California...but by neighbors such as
Indiana and Ohio!

They understand what we have yet to grasp.

The world is changing rapidly, and we have
to prepare ourselves for tough competition.

Until now we have been able to sustain the quality of public
higher education in this state in the face

of a catastrophic loss of state support because of our traditional autonomy, so wisely granted almost 150 years ago by the authors of our state constitution.

This autonomy allowed Michigan's universities to take strong internal actions, reallocating resources, redefining priorities, and increasing tuition levels to partly compensate for reduced public support.

But in recent years, even this autonomy has been threatened...through efforts from Lansing

i) to constrain tuition levels to artificially low levels even as state appropriations eroded still further

ii) to dictate who we must admit

iii) even to dictate what we must teach...

Whether measured in terms of

state appropriation per student or fraction of our tax dollars directed toward higher ed, it is clear that in comparison with other states, our present level of public support is simply inadequate to maintain over the long run a system of higher education that is competitive on a national basis.

Our autonomy has allowed us to continue to move forward ...even though the gas tank is running on empty...

...but now state government threatens to challenge even about ability to manage our institutions during a period of great financial difficulty...

And threatens to slam the brakes on quality education in Michigan.

A Fork in the Road

It is clear that our state is in the midst of a profound transition...

...from an industrial economy based upon the abundance of natural resources, unskilled labor, and, to some degree, constrained, slowly moving domestic markets...

To a knowledge-based economy, characterized by intensely competitive world markets, rapid change, and--most important of all--educated people and their ideas.

This has not been...and will not be...an easy transition to make.

The truth is that the outcome is still very much in doubt!

producing jobs and improving our quality of life.

Whether we will emerge from this transition as a world economic leader once again...with a strong, prosperous--albeit new--economy

Or whether we will fail to heed the warnings...

...to make the necessary investments and sacrifices today necessary for strength and prosperity tomorrow...

And become an economic backwater in the century ahead.

It is clear that we face a watershed--a fork in the road ahead.

My central theme is that education, broadly defined, will

be the pivotal issue in determining which of these two alternative futures will be Michigan's...and America's.

Indeed, I am absolutely convinced that the dominant issue of the 1990s will be the development of our human resources.

In the pluralistic, knowledge-intensive, global future that is our destiny, it is clear that the quality of and access to

...education in general

...higher education in particular

...and research universities

such as the University of Michigan

are rapidly becoming the key factors in determining the strength and prosperity of our state.

Previous economic transformations were closely associated with major public investment in infrastructure such as railroads, canals, electric networks, and highways.

In the coming economic transition, an equivalent infrastructure will be an educated population.

From this perspective, it is important that we not view the public support of higher education as just another expenditure demand on an already over-extended state budget, but rather as a critical investment in our future.

The Challenges

To Us...

In a very real sense, our state has entrusted to us its most valuable resources...its youth...and its future.

To be responsible stewards of the public trust, it is clear that we must strive to achieve greater cost-effectiveness in our use of public funds... and I can assure you that we intend to do just that.

But even beyond this, we must become staunch guardians for the quality of our institutions...

For in education, as in every other aspect of American life, quality will be the key to our future.

We need to give our children the best education and chance for the future that we can. We should be willing to pass on to them what we ourselves have received...opportunity for a better life.

Hence, to us falls the responsibility of taking the forceful and courageous actions necessary to sustain and enhance this quality...in the long run the people of this state both demand and deserve nothing less!

To You...

Years ago our parents stepped up to their responsibilities by sacrificing to give us an opportunity for a better life through education.

Now it is our generation's turn.

Today we are called upon to demonstrate a similar commitment to our children...to the next generation...to the future.

Education represents one of the most important investments a society can make in its future...since it is an investment in its people...

It is indeed the case that our state and our nation have developed the finest systems of public education in the world...

But we must also remember this resulted from the willingness of past generations to look beyond the needs and desires of the present and to invest in the future by building and sustaining educational institutions of exceptional quality--

Institutions that have provided those of us in this gathering today with unsurpassed educational opportunities.

We have inherited these marvelous institutions because of the commitments and the sacrifices of previous generations...and it is our obligation as responsible stewards--not to mention as responsible parents--to sustain them to serve our own children and grandchildren.

It seems clear that if we are to honor this responsibility to future generations, we must re-establish the priority

of both our **personal** and our **public** investments
in education, in the future of our children
...and hence in the future of our
state and our nation.

**To our elected leaders...and those aspiring to public
office**

1. Our public leaders must develop and implement a strategy to restore an adequate level of public support for public education to raise Michigan --that raises us from among the very bottom among the states to a position of national leadership once again.
2. They must bring to an end the present freeze on capital outlay appropriations for higher education (now entering its fourth year) and begin to deal with the seriously deteriorating facilities on our campuses.
3. They must respect our constitutional autonomy and preserve it for generations to follow as the best safeguard for maintaining quality public higher education accessible to all.
4. And most of all, our public leaders must come to understand that they are stewards for the moment of an extraordinary resource for our state--one of the world's finest systems of public education--a system that has resulted from the commitment and sacrifices of eight generations of Michigan citizens. They will be judged by future historians by how wisely and effectively they protect and sustain this great resource, so critical to our future.

Conclusion

We recognize that the choices before Michigan are not easy.

We must address pressing social issues of employment, health, social welfare, we must meet the important needs of our citizens today.

But also we must balance these immediate needs with investment in our future.

If we don't invest in cures, our symptoms will, in time, become fatal...

For generations, the people of Michigan sacrificed so that their children could have a better life.

They had faith in education.

Now it is our generation's turn.

We must rekindle that faith and that commitment to the future today.

We must care for our children's future as much as we attempt to our present needs and desires.

Education represents one of the most important investments a society can make in its future...since it is an investment in its people...

Answers to Specific Questions

Q: In general, do you agree or disagree with the FY91-92 Executive Recommendation for higher education

A: We are deeply gratified that Governor Engler has proposed a 4% budget increase for higher education in the next fiscal year.

We are especially mindful that this commitment is made within the context of other pressing state needs and extremely limited resources.

These are hard choices. And it is precisely because we are faced with difficult choices that we must look far into the future, and ensure that we make a long-term, investment in an educational system

that will meet the needs of Michigan's children.
However let me note that the recommended 4% increase while courageous in the face of a tight budget year, will at best only cover the minimum inflationary cost increases in our universities, and in itself it fails to address either the past underfunding or necessary program investments in our institutions.

Hence, we must respectfully ask that the Legislature take further steps to approach the funding increase requested by the Presidents' Council of 8.5%, while considering a multiple year approach to restore Michigan to at least the top third of states in the nation.

Q: What are your institutions plan's for next year regarding tuition and fees?

A: It is far too early to respond to this, since there are too many uncertainties. In years' past we have not established firm tuition targets until mid-summer, since we have not known the full nature of the resource situation of the University. However, since there is both a great deal of concern...and a great deal of confusion...on tuition at public institutions in Michigan, let me make a few observations.

Q: Please comment on funding for facilities openings.

A: For many years the state has had a policy of meeting the full operating costs for all new and renovated academic, research, and academic support facilities...

We strongly support this policy.

..Further, we believe that facilities operating costs should be state funded regardless of the source of funding for the construction of the building itself, for to do otherwise removes the incentive for institutions to raise badly needed capital facilities funds from private sources.

However we also recognize that given this year's difficult budgetary circumstances, operating funds for new and renovated facilities are simply not available.

We do urge, however, a return to the historic state policy as soon as the state recovers economically.

This raises a related issue...which has to do with the state funding of capital facilities projects themselves.

Five years of freeze on capital outlay projects have caused serious damage to our campuses. Urgent projects have been bottled up. Considering the seriously inadequate support of capital facilities on many of our campuses during the 1970s, we simply cannot continue much longer without some mechanism for rebuilding our infrastructure.

For example, on UMAA, over the past 20 years we have received state funding for only 2 academic buildings--and that at a 50% participation rate. This amounts to an average of \$3.6 M in state funding for new facilities over the past 20 years... compared to a level of \$25 to \$50 million per year for peer campuses such as UCB, UNC, Illinois,...

The House bill calling for an increase on the bonding cap of the State Building Authority

addresses this urgent need in a fiscally responsible manner, and we urge its support.

Q: Do you support adding Research Excellent Fund money to the base?

A: Over the past several years the REF has been of critical importance in strengthening and diversifying Michigan's industrial base. For example, at UMAA, we have multiplied this investment by attracting \$2 from federal and industrial sources for every \$1 of REF...while stimulating roughly a tenfold investment increase through economic activity. Yet we face serious challenges:

- i) REF funding has not kept pace with inflation, hence forcing program cutbacks
- ii) Creation of the new competitive program has drained funds from the original program while introducing an additional layer of bureaucracy into the process
- iii) The real impact of REF can only be achieved through very long term funding. The year-by-year micromanagement of the program focuses a very short term focus, thereby undercutting long term efforts.

We believe that the recommendation to add these funds to the base will not only deal with these concerns... but will remove unnecessary costs from the operation of the program and focus those dollars where they have the most impact...on the research activities of the universities themselves.

Q: Does your institution offer programs or courses at any locations apart from your main campus?

A: We provide education and research across the state... consistent with our mission of outreach. As a former chancellor at Wisconsin put it, "The boundaries of our campuses are the boundaries of the state, itself."

Q: Are current undergraduate enrollments optimum?

Given the continuing decline in high school graduates, how do you intend to maintain optimum enrollments?

A: Yes, we believe that the enrollments on our campuses are at optimum levels, and we intend to maintain these enrollments. Demand for admission to the University continues to be very strong, despite the demographic decline.

We are confident that we will continue to attract the quality students capable of succeeding at the University. In fact, our yield of Michigan students accepted to University continues at our historic level of two-thirds.

However, let me also point out a potential problem here...

As the number of high school graduates continues to drop, it is clear that the UM is taking a larger and larger fraction of the best high school graduates in the state.

Indeed, we are now enrolling the largest fraction of Michigan high school graduates in our history.

While this serves to maintain the quality of the University, there are also signs that we are having a significant impact on the pool of outstanding students available to other institutions throughout the state...both public and private.

This raises an important policy issue for the state. As you know, UMAA is currently committed to maintaining an undergraduate enrollment balance of 70% Michigan residents, 30% nonresidents. Yet, it is also clear that if we are to continue at this level throughout demographic trough of the next decade, we could deplete the

pool of outstanding students available for other institutions--
and, over time, permanently damage the quality of these institutions.

While we certainly understand and accept our responsibility to
serve citizens of the state, a rigid restriction on enrollment mix
during the decade ahead may not be in the best interest of
higher education more broadly across this state.

We would suggest that this commitment might wish to consult
on this matter with other public and private institutions across
the state.

Q: What impact do you expect the reauthorization
of the Higher Education Act
will have on our financial aid programs?
How will this affect Michigan students?

A: As you may be aware, we are heavily involved
through Washington-based associations such as
NASULGC, AAU, and ACE on this matter.

In general, we believe that the reauthorization holds promise for
improvements in the financial aid programs. As you may be
aware, the past decade saw

...the effective level of federal support of financial aid
decline by roughly a factor of two...which, incidently,
is one of the principal reasons tuition levels have
increased, since increased tuition paid by those who
could afford to pay have provided the funds for those
who cannot throughout institutionally-funded financial
aid programs

...a shift from grants to loans.

We are seeking

...more adequate funding levels for programs such as
the Pell Grants

...simplification of financial aid programs...

...as evidenced by a direct loan program replacing
the Stafford Guaranteed Student Loan Program

...attention to delivery systems and timing of awards

Tuition Myths and Realities

Myth 1: Tuition levels at most universities...

including the University of Michigan...are "out of control".

Reality:

Hence, in real terms, tuition levels at the University--
and at most other public instituitons--have been quite stable.

This is a very important point, since while most attention has been
generated by the very high tuition levels at a few highly selective
private institutions, the tuition levels at major public universities
such as the University of Michigan have remained both quite
stable and quite low over the decades of the 1970s and 1980s.

Over the past eight years, the tuition rates for resident undergraduates
at the University of Michigan have increased by 47.5%.

This is not only less than most other public and private institutions
across the nation (which have seen increases in the 50% to 70% range),
but it is less than the inflation rate of 52% for higher education
during this period.

Myth 2: Tuition levels at the University of Michigan
are quite high relative to other institutions.

Reality

Not only is this statement quite incorrect,
but in reality tuition levels at Michigan's public universities are quite low
and comparable to those of most other public universities throughout the nation.

The roughly \$2,000 to \$3,500 per year of annual tuition and fees charged
to undergraduates in Michigan's public universities represents
an incredible bargain when compared to all other alternatives:
public or private education in Michigan or across the nation.

Indeed, it now costs more to attend the private secretarial school Cleary College (\$4,400 per year) than to attend the University of Michigan (\$3,200) per year.

Further, Michigan students face far higher tuition levels at peer public institutions (UC Berkeley tuition runs \$9,000-\$10,000 per year), and at private institutions (Harvard, Stanford, and Cornell ...or Kalamazoo, Albion, and Calfin... tuitions run \$14,000-\$16,000 per year).

There are other interesting comparisons.

It is now estimated that 60 percent to 70 percent of college-age students own an automobile. Well, the cost of a degree at a public university in this state is less than the cost of that car.

Furthermore, this investment in a college education will be paid off in only a couple of years following graduation because of the very high earning capacity of a college graduate relative to those without college degrees.

Perhaps it is because the absolute tuition levels at public institutions are so low, that it is easy to become confused in a comparison of costs by simply noting percentage increases.

I don't need to remind you that a large percentage of a small number is still a small number.

Further, it should be noted that the true cost of higher education at a public institution is not tuition, rather it involves those other costs associated with room and board, books, travel and other expenses. Indeed, tuition represents less than 25 percent to 30 percent of the cost of a public university education.

Myth 3: The increasing tuition levels at the University of Michigan are pricing it out of reach of all but the very wealthy. Again, this statement is not only incorrect, but it is seriously misleading.

First, it should be noted that the costs of a UM education to a Michigan resident have been rising far less rapidly than disposable income:

In fact, a college education today is probably more affordable to more Americans than at any period in our history.

This is due, in part, to the availability of effective financial aid programs used to assure access to public higher education for those without adequate financial resources.

For example, at the University of Michigan, we have a policy that guarantees that all Michigan residents are provided with adequate financial aid to meet their needs until graduation.

In fact, roughly 65 percent of our Michigan resident students receive some form of financial aid, which amounted to over \$140 million last year.

Further, families with incomes of up to \$60,000 are generally eligible for some form of financial aid.

There is a certain irony, here, since as state and federal support of financial aid has deteriorated over the 1980s, tuition revenue itself has become one of the primary sources of funds necessary to sustain these important programs.

In a sense, public universities in our state, just as universities across the nation, have asked those more affluent families that have the capacity to pay a little bit more of the true cost of education for their students in order to provide the capacity for those less fortunate to attend.

Myth 4: Surely the fact that tuition rates are increasing faster than the CPI reveals that universities are not cost-effective and are exploiting the marketplace.

One of the frustrating facts of life about modern economics is that the value of the dollar is not constant;

it is continually eroding through the effects of inflation. Hence the price of essentially everything in our society increases from year to year to reflect the fact that the dollar itself has somewhat less value.

Thus, it would be unrealistic to expect that tuition-- or the price of a car, groceries, or anything else-- would be held constant from year to year.

First, one should note that while tuition has been increasing somewhat faster than the CPI, it has NOT been increasing faster than either the per capita income or the inflation rate characterizing the costs of higher education (HEPI):

Myth 5: The price of a college education is no longer worth it.

Nationwide, it is clear that the money invested in a college education results in one of the highest returns of any investment a student or a family can make.

Across all fields, the net return of an undergraduate education is in excess of 10 percent.

In knowledge-intensive professions, of course, it is far beyond that.

Furthermore, the modest tuition levels charged by public institutions represent a particular bargain.

At a leading university such as the University of Michigan we estimate that we invest roughly \$20,000 per year, per undergraduate student to create the learning environment necessary to prepare our graduates for the 21st century.

Since our present instate tuition levels are \$3,500, we are asking parents to contribute less than 20 cents on the dollar. Not a bad deal I'd say!

Myth 6: Hold on now! We pay taxes. Don't these pay for the cost of the college education of Michigan residents?

Once again, a popular but quite false myth.

Over the past two decades, the University of Michigan's share of tax revenue has dropped by 42 percent from 3.74 percent, to 2.15 percent.

Hence, today, only about two cents of each tax dollar goes to the University.

In other words, someone paying \$5,000 per year in state taxes will be paying only about \$100 of those taxes to support the University.

More specifically, the typical parent over his or her entire earning career, will pay less than \$3,000 in taxes that are used for the support of the University of Michigan (assuming thirty years of earnings).

By way of comparison, the tuition costs of a Michigan undergraduate education is currently about \$14,000.

Hence, it seems clear that the Michigan taxpayer is not shouldering the real costs for a college education in a Michigan public university.

Rather, it is being borne primarily by a combination of other sources, including tuition, federal support, and private support.