

Costs, Prices, Values 3.0

Introduction

In recent years, there have been many concerns about the cost of a college education...
...the spiraling cost of college tuition
...the erosion of federal financial aid programs
...the concern about waste and duplication in the management of our colleges
...even whether a college education is worth the investment

While the cost of a college education is a subject of great importance, it is also a subject surrounded by as much myth as reality.

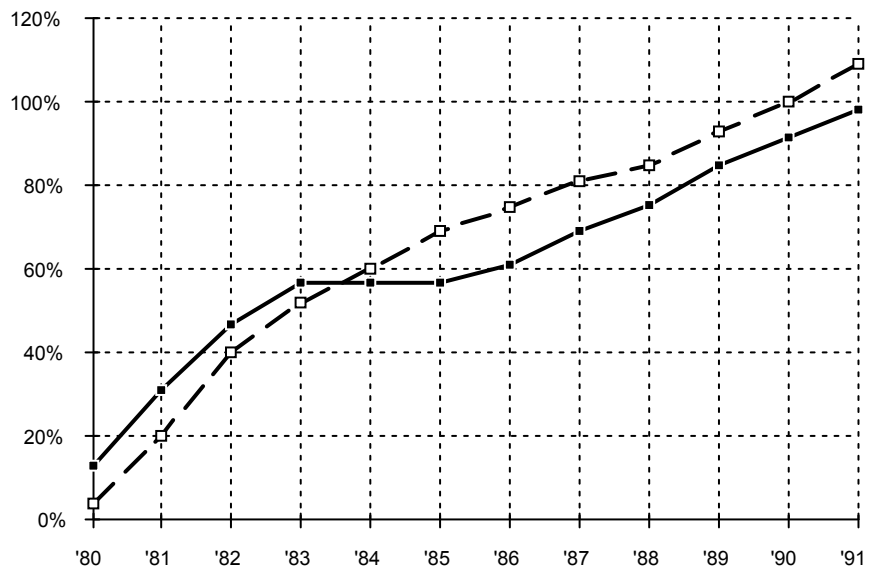
Hence, it seems useful to begin by examining more carefully several of the more popular myths in an effort to identify the real issues.

Myths vs 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 institutions--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 Calin... 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.

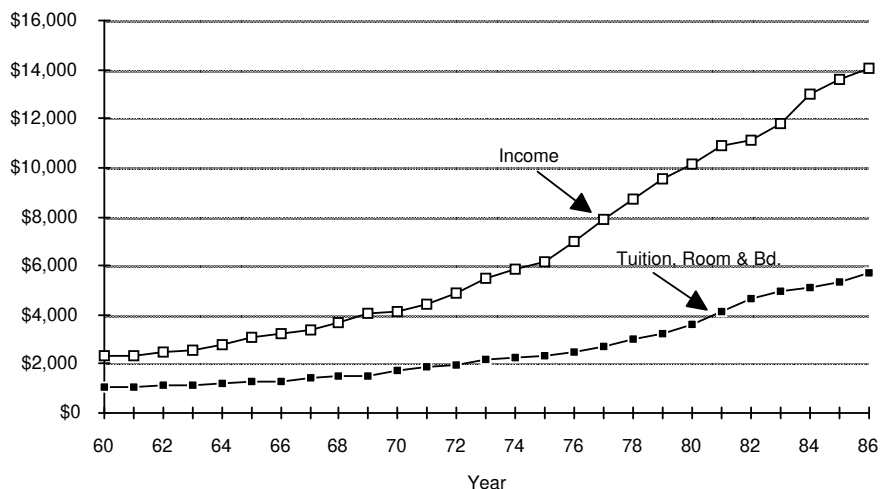
Further, it should be noted that the true cost of higher education at a public institution is not tuition, rather it involves those other costs associated with room and board, books, travel and other expenses. Indeed, tuition represents less than 25 percent to 30 percent of the cost of a public university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

Trends in Annual Cost to U-M Undergraduates vs. Michigan Per Capita 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.

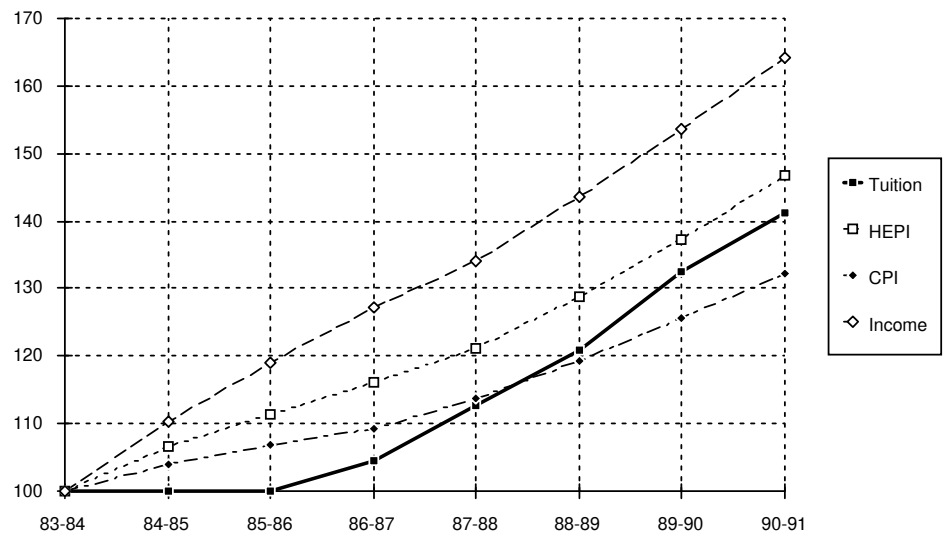
Hence the price of essentially everything in our society increases from year to year to reflect the fact that the dollar itself has somewhat less value.

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):

Tuition Increases vs CPI, HEPI, and Per Capita Income



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 in-state 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.

The Real Issues

Setting aside the myths, it seems clear that there are two classes of issues concerning the costs of a college education:

i) The relationship among Costs, Prices, Values of a college education

The concerns about the rising costs of a college education really break down into three separate issues:

- i) the actual costs of a college education
- ii) the prices charged to students for this education--that is, tuition
- iii) the value received by students through this education

ii) Who should pay for a college education?

Parents?

Students (through loans, deferred payments, and work-study programs)?

The state taxpayer?

The federal taxpayer?

Private philanthropy from industry, foundations, alumni, and friends?

The ultimate consumer (business, industry, government)?

Someone has to pay for quality of and access to higher education.

And unfortunately, it seems that whether it is

public tax dollars or the private dollars of parents and their students, fewer and fewer people are willing to step up and accept this responsibility.

Costs

Factors in determining the costs of a college education:

Components of costs to universities

Faculty and staff

Instructional facilities

Infrastructure

Library books, computers

Student Services

Administration

One can compare the expenditures associated with undergraduate education to get some idea of actual costs. These are shown in the figures for various institutions. These comparisons suggest that for FY1990-91, the cost per student-year was

UM: \$18,000

MSU: \$12,000

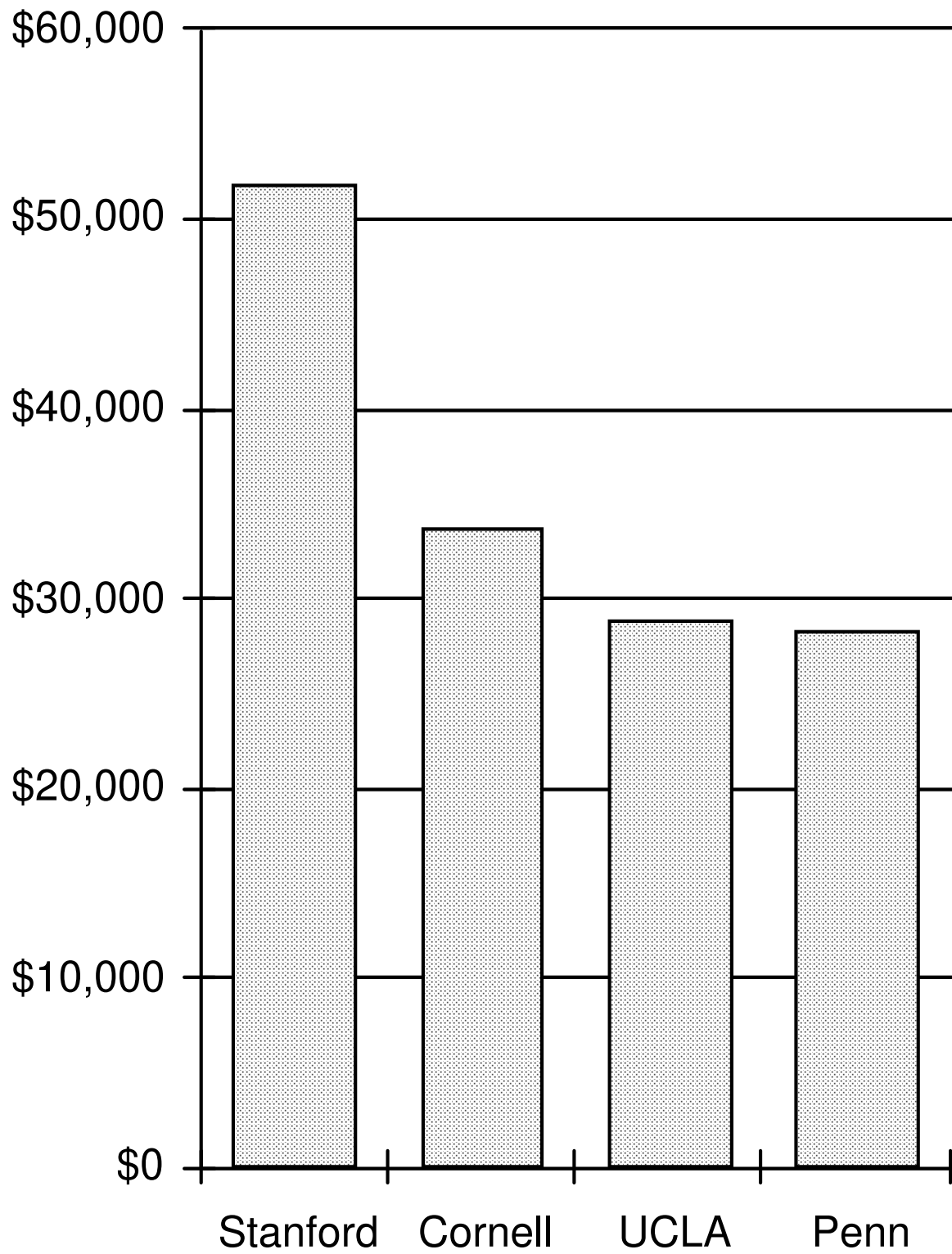
UCB, UNC, UVa: \$22,000

NW, Cornell, Penn: \$35,000

Harvard, Stanford: \$50,000

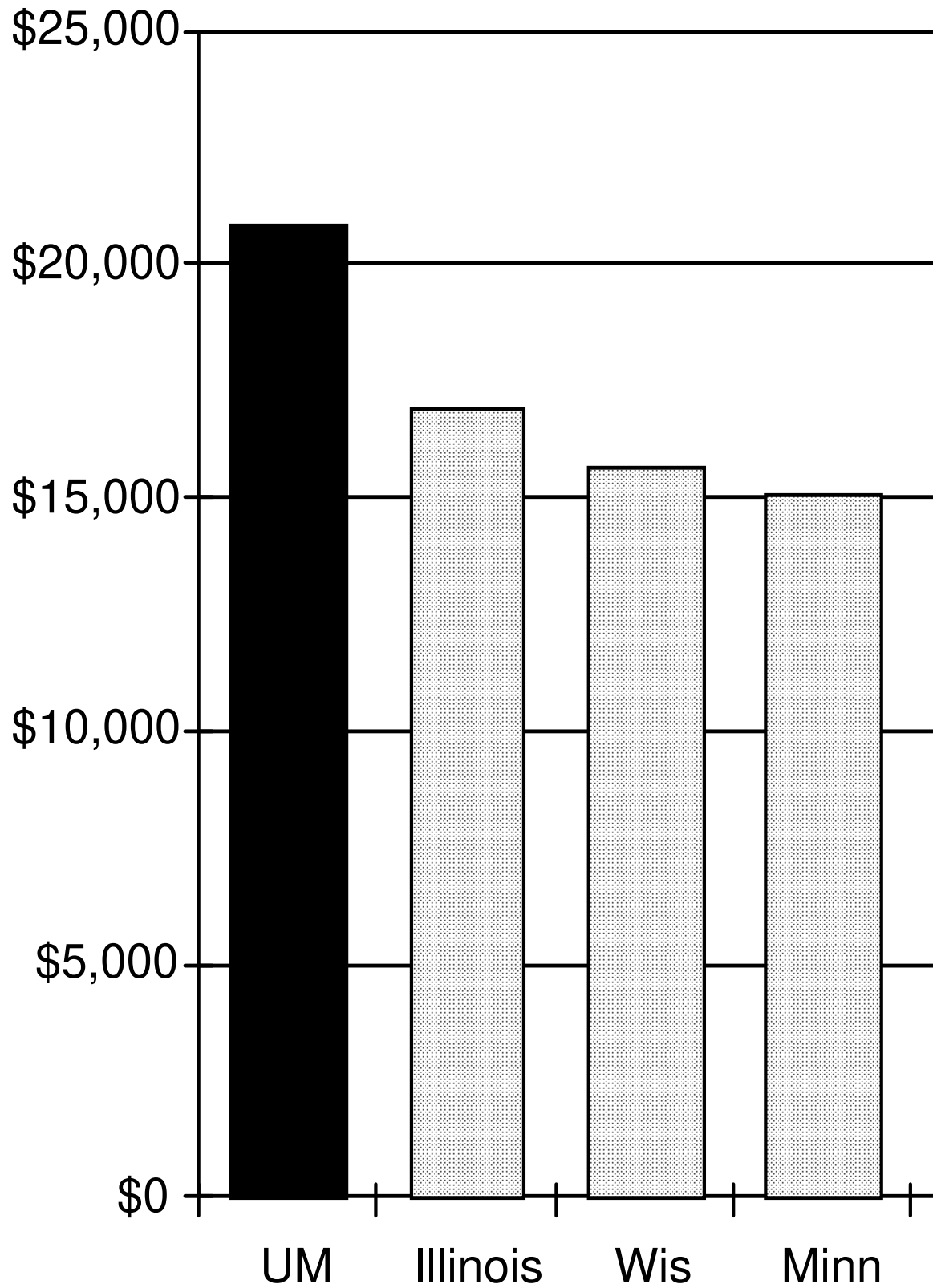
More expensive institutions:

Resources per S



Less expensive institutions:

Resources per \$



Note that from this perspective it is clear that

ALL students at ALL universities are subsidized, to some degree,
in the costs of their education.

More specifically, at UM:

i) instate students @ \$3,500/y pay 20% of the cost

ii) outstate students @ \$12,000/y pay 67% of the cost

The rest is paid by state appropriation, federal support, and private giving (as shown below)

Expenditures on Undergraduate Education					
<i>Funding Source</i>	<i>UM Instate</i>	<i>UM Outstate</i>	<i>Yale</i>	<i>Harvard</i>	<i>Cornell</i>
Tuition	\$3,500	\$12,000	\$16,000	\$16,000	\$15,000
State Appropriation	\$7,955	\$0			
Gifts	\$2,222	\$2,222	\$12,000	\$12,000	\$12,000
Endowment Income	\$716	\$625	\$8,333	\$15,625	\$2,500
Federal IC	\$1,736	\$1,736	\$3,125	\$3,125	\$3,750
Total	\$16,129	\$16,583	\$39,458	\$46,750	\$33,250
State Appropriation	\$250,000,000				
Endowment*	\$450,000,000	\$450,000,000	\$2,000,000,000	\$5,000,000,000	\$1,000,000,000
Enrollment	36,000	36,000	12,000	16,000	20,000
Instate Enrollment	22,000	22,000			
Sponsored Research	\$250,000,000	\$250,000,000	\$150,000,000	\$200,000,000	\$300,000,000
Annual Gifts Received	\$80,000,000	\$80,000,000	\$140,000,000	\$200,000,000	\$150,000,000

The rate of increase of costs

CPI vs HEPI

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.

Turning first to costs, it is important to identify
the appropriate index for the costs of higher education.

For example, the CPI is designed to measure
the "cost of living" of urban wage and salary earners.

Hence it measures the increase of costs of fundamental
needs such as housing, food, clothing, and so forth.

But, of course, these are not the sort of things
that a University buys.

We must fill our shopping baskets with Apples--not apples--
that is computers--and hire top-flight faculty.

For that reason, the federal government has developed
an alternative cost index for higher education
known as the HEPI or Higher Education Price Index.

This measures the real increase in the costs of education.

For at least a decade, the HEPI has been increasing
at a rate of roughly 1-2% faster than the CPI.

For example, while the CPI for this past year was roughly 5%,

the HEPI was 6.5%.

Why? In part because the costs of higher education are driven largely by the costs of professional labor, and these costs have been increasing somewhat faster than the CPI.

And in part because universities have been forced to expand their activities and investments to respond to a rapidly expanding knowledge base. Indeed, in many fields, we are finding the amount of new knowledge doubling every few years.

In fields such as engineering, medicine, business administration, and public health, universities are required to provide increased value added as the knowledge base explodes.

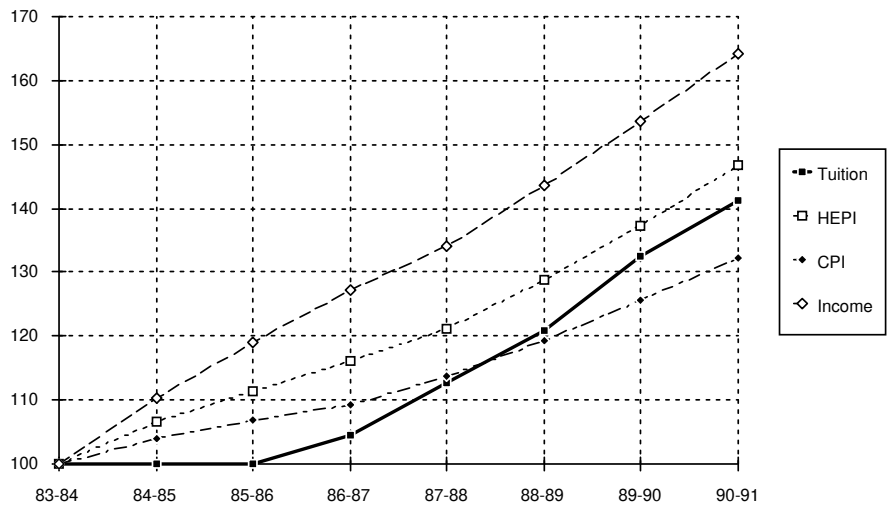
Furthermore, in many of these fields the costs associated with the infrastructure necessary for education--computers, laboratory instrumentation, medical devices--all so very necessary to the education and training of tomorrow's professionals, have caused costs to increase.

Therefore it seems understandable that since both the amount and the nature of education provided to students moving into the professions are changing dramatically, that the cost of education should reflect these changes, and these are reflected by the Higher Education Price Index. □

The Actual Experience

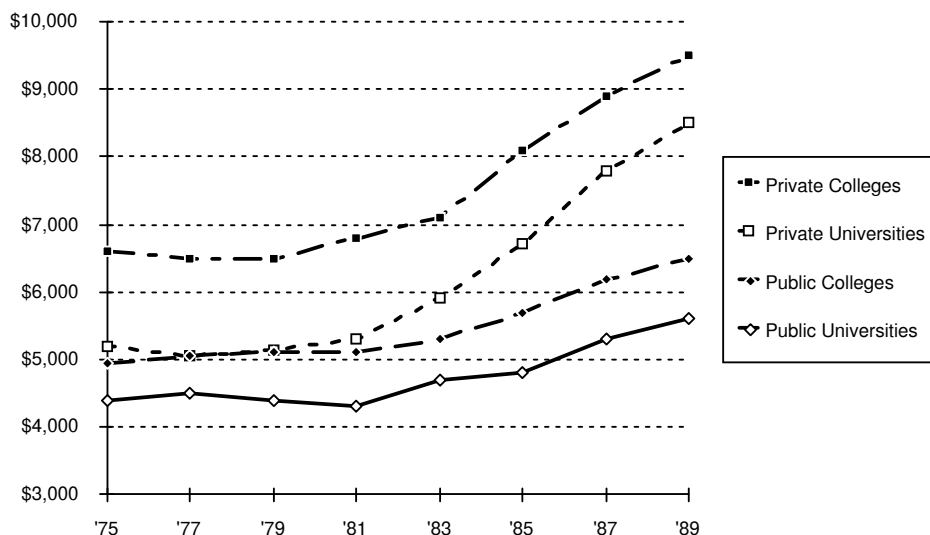
First, one should note that while tuition has been increasing somewhat faster than the CPI, it has NOT been increasing faster than either the per capita income or the inflation rate characterizing the costs of higher education (HEPI):

Tuition Increases vs CPI, HEPI, and Per Capita Income



Comparison of public vs private costs

Expenditures per Student (1989 Dollars)



Factors driving the increasing costs of education

Colleges are both energy-intensive and labor-intensive, and these are the costs which have increased most rapidly over the past two decades.

Must compete in professional labor market...always driven up a bit more rapidly than CPI

Intensely competitive marketplace (faculty, students, grants)

Difference in mix of higher education goods and services (books, computers, equipment...)

Books and periodicals up by 150%

Supplies and materials up by 120%

Services by outside contractors by 100%

Erosion in federal financial aid programs (dropped in real terms by 50% during Reagan years)

Federal student-aid grant programs dropped 50% to one-half the level of their purchasing power between 1980 and 1987. Two key reasons:

i) Pell Grant Program didn't keep pace with inflation

ii) Elimination of Social Security scholarship program.

Colleges have coped with this steep decline in federal student aid by putting significantly more of their own money into scholarships. They have raised this extra money by cutting other costs, increasing fund-raising, and increasing tuition.

Regulations (OHSAs, handicapped, financial...)

Social commitments (affirmative action, economic development)

Deferred infrastructure maintenance costs

Tax Bills

Because colleges are labor intensive, they pay high employment taxes in relation to their

total revenue...and these can exceed the total of employment taxes and income taxes paid by less labor-intensive organizations that have ways to shelter their income.

Further, colleges are being taxed in many new ways (FICA, UBIT,...)

Colleges are still trying to make up for cost increases over the past 10-15 years, including expenses that they deferred during periods of high inflation, when tuition increases were considerably below inflation rates.

The Costs of Excellence

My predecessor, Harold Shapiro, used to propose two theorems about the costs of higher education:

HTS Theorem 1:

There has never been enough money to satisfy the legitimate aspirations of a truly enterprising faculty or administration.

HTS Theorem 2:

The cost of quality in teaching and research will rise faster than the total resource base of most institutions

We face the challenge of making the transition from the growth era of the 1950s, 1960s, 1970s, characterized by increasing populations, resources, and prestige, to a limited-growth era of the 1980s and beyond.

We know all too well the impact of demographics...

The decline in the number of high school graduates...

The aging of our faculty...and the challenge with educating and recruiting the next generation of the scholars and teachers.

The effort and ability of more and more institutions to compete for the same pool of resources...

State and federal support

Private support

Students

Faculty

Suspicion: The Big Shakeout...

The absence of adequate resources to build and sustain excellence in all institutions, means there will be an inevitable shakeout...

Most institutions may tend toward the mean-- a common level of quality...

However, those few institutions which have the critical mass of excellence...**and** which have the determination and capacity to sustain it, will be able to draw the best from the available resources of students, faculty, and funds and accelerate away from the pack... leaving the remainder of higher education to compete for a declining resource base.

Further, since these institutions will be competing in the same marketplace...for the best students, the best faculty, the same research contracts from Washington, the same grants from foundations and corporations...they will become increasingly similar,

Indeed, the distinctions between public and private education will blur even further.

Indeed there are already clear signs of this evolutionary trend...and they are clear in our own institution.

A Case Study: Brave, New World

Last month our Regents approved our budget for the

year ahead. In that budget,
State appropriation = \$267 M
Tuition and fees = \$269 M
(a "privately supported public university")
Federal R&D Support = \$256 M
(a "federally supported state university")
And now if only our Development staff can
increase private fund-raising to a similar
share of the total...roughly \$250 M per year,
we should be in pretty good shape...

While this "well-balanced" portfolio has certain
advantages, such as resilience in the face of
political and economic vicissitudes, it also increases
dramatically the importance of our ability to
interact effectively with a remarkably broad
array of constituencies...and this, in itself,
is a very major challenge...

DEVH Theorem:

Over a sufficiently long time span,
none of our constraints are rigid.
They can be managed or changed.

And I can assure you, this is exactly the approach
we are taking...

How good do we want our college education to be?

The costs of providing one of the best educations in the world are not cheap.

Since we were in school, knowledge and technology
have advanced at a breathtaking pace.

Computers, top faculty, scholarship aid, libraries--
they all cost more money every year.

Second, federal aid has dropped in half during the 1980s

Third, the State of Michigan has dropped from the
top third to 45th in support given to higher education.

Hence, if we decide how good we want our institutions to be,
then it is possible to arrive at a quite accurate estimate of how much
we will have to invest to achieve that quality.

This estimate then will determine an investment per student
and per faculty necessary to achieve a certain level of quality.

Do we want the University of Michigan to be as good
as Harvard or Stanford?

Then it will take about \$50,000 per year, per student.

Do we want the University of Michigan to compete
with Berkeley or UCLA or North Carolina?

That will require about \$30,000 per year.

Should we compete with Ohio State or Minnesota?

Then it will take about \$18,000 per student, per year.

Perhaps we would like to see the University of Michigan
compete with institutions of somewhat lesser reputation and distinction,
such as Mississippi or Montana?

Then this would require only about \$10,000 per year.

Why not go beyond even this and compete with
great institutions like Southern North Dakota State and Hoople. . .
well, I think you get the point.

It is clear that if our state wants to pay
only bargain-basement prices for education,
then we are clearly going to end up with bargain-basement quality.

Prices

Components of costs to students

tuition
room and board
books
travel

incidental

(Use OFA support to put this together)

How are tuitions determined?

Model 1: The Traditional Approach

Traditionally, tuition levels have been determined by:

- i) first, estimating the operating costs for the academic programs of the institution
- ii) next, estimating the available revenue from other sources such as state appropriation, federal support, interest income, and private giving
- iii) and finally, determining that level of tuition necessary to make up the difference between projected operating costs and available income from other sources.

Of course, there are other factors which must be born in mind:

- i) Private institutions are particularly sensitive to market. Hence, their tuition levels cannot move significantly beyond those of peer private institutions.
- ii) While public institutions are not so market sensitive, because their tuition levels are relatively low and comprise only 25% - 30% of the actual cost of a college education to the student (with the lion's share of the cost coming from room and board), there are political factors which constrain the increase in tuition.

However, from this model it is clear that tuition depends sensitively on the relationship between the costs of conducting the activities of the University and the resources available to it.

Revenue from tuition fits together with other revenues in a carefully balanced structure. When any one source of income fails to keep pace, the share that must be picked up by the other sources is increased.

Inadequate support from traditional sources

No student, including those who pay full tuition, is paying even close to the real costs of their education. In public institutions, generally they pay between 10% to 25% of the real costs. In private institutions, it is 40%.

However this can only be done by maximizing income from sources other than tuition.

Colleges have had to increase borrowing, not only for investment, but also for working capital because many traditional sources of funds have dwindled or are no longer available.

Deterioration in public support

Erosion in state support...

Actually lost ground in real terms over the 1980s.

Shifting federal priorities,

as the federal government shifted from that of a supporter of higher education to a procurer of services--e.g. research

Federal funds for research have declined dramatically...

In past 20 years, have dropped from 30% of total to just 12%.

Capital facilities

Only 3 buildings in 25 years at UM...\$72 M...

...yet state should have been investing \$20 - \$30 M per year

Federal government has had no major facilities program since early 1960s...

Furthermore, has provided little help for equipment
Student Aid

Federal programs have dried up or switched to loans
...they have not kept pace with the costs of
education

Colleges now must provide more aid than ever...
since 1980, has doubled to \$6 B.

Higher tuitions from those who can afford to pay
enable other less fortunate students to attend.

Private giving

Private gifts account for less than 6% of total revenues...

Bottom Line

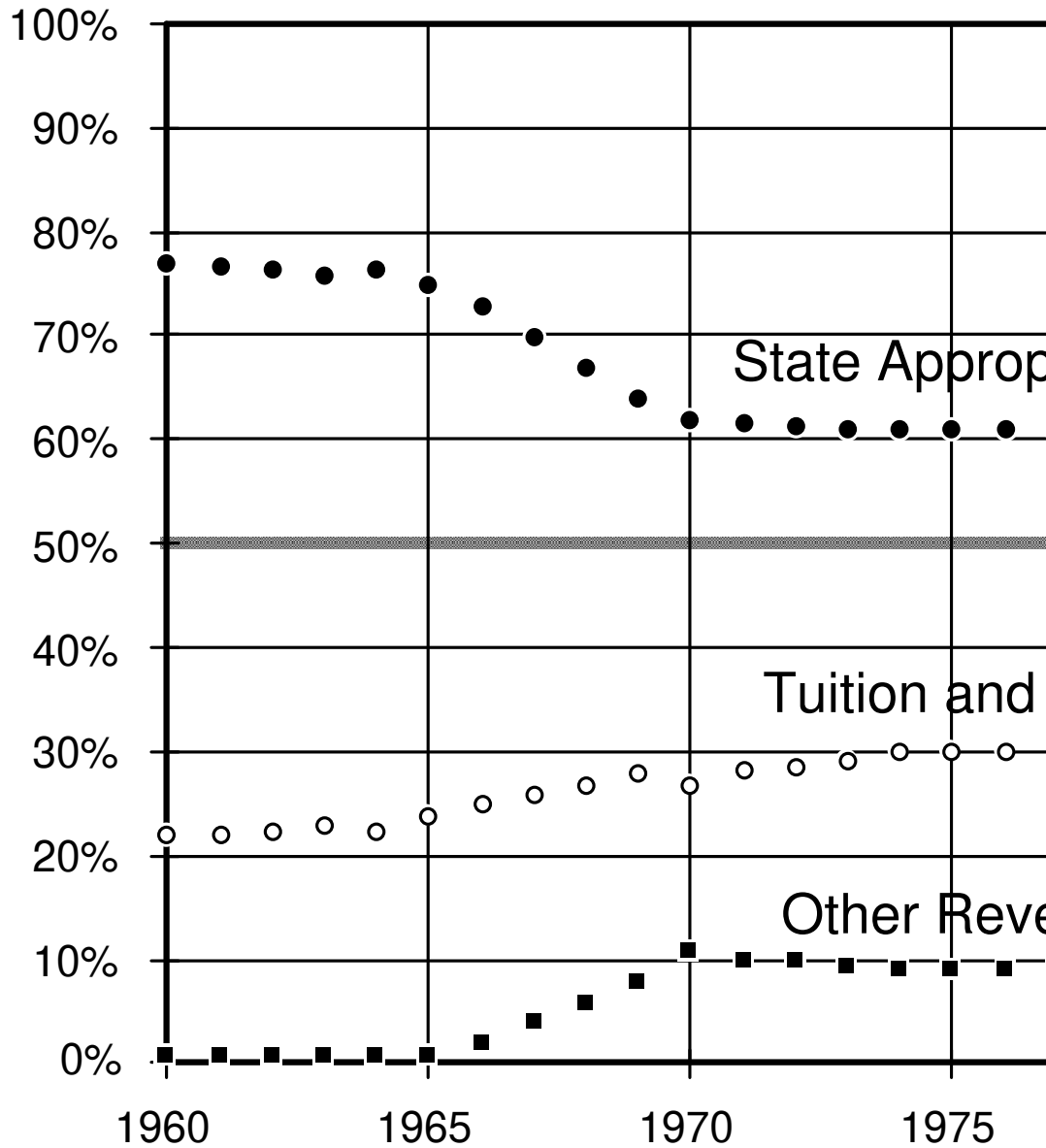
As a result, colleges have been forced to raise tuition
and R&B to levels of cost-recovery, since other
sources of revenue have deteriorated.

Further, during the 1970s most institutions failed to raise
tuitions adequately, and they are now forced to raise them
more rapidly in the 1980s to make up for lost ground.

Colleges are still trying to make up for cost increases
over the past 10-15 years, including expenses that
they deferred during periods of high inflation, when
tuition increases were considerably below inflation
rates.

An example: UM

The Changing Mix of General F



Model 2: A Different Way to Look at Setting Public Tuition Levels

Might try more of a marketplace approach:

- i) Suppose we determine that the cost of a Michigan undergraduate education is \$18,000 per year (roughly the tuition at the leading privates... although not, of course, their actual cost) Note, too, that we are focusing on undergraduate education. We know that
 - ...Grad = 3 x UG
 - ...Med = 10 x UG
 so these would require a separate analysis.
- ii) We can now estimate how much the State of

Michigan appropriates to UM for undergraduate instruction (recognizing that part of the \$230 M appropriation is also intended to go for graduate and professional education, research, and public service). Let's say, for purposes of argument, that 60% goes for UG education---or \$140 million.

- iii) Hence, at \$18,000 per slot, the state is entitled to $(\$140 \text{ million}/\$18,000) = 7,800$ full-price undergraduate slots.
- iv) However, we can offer the state a discount price, taking into account tuition:
 $\$18,000 - \$3,500 = \$14,500$
- v) At this reduced price, the state pays for $(\$140 \text{ million}/\$14,500) = 9,600$ UG slots
- vi) In reality, since we have $70\% \times 22,000 = 15,400$ resident UGs, the state is not paying its fair share. To adjust this would require a tuition charge of about \$9,000 for resident undergraduates.

Of course, there are lots of assumptions here.

However the point is clear: We set the number of Michigan resident students by "selling" the state UG slots at the actual costs discounted by tuition.

Outstate

While it is true that tuition rates for nonresident students have increased somewhat more rapidly, it is also important to note that it is current state policy that tax dollars paid by Michigan citizens will not be used to subsidize the educational costs of non-Michigan residents.

In effect, the University is required to operate as a private institution as far as non-Michigan residents are concerned.

And from this perspective, tuition costs for nonresident students at the University of Michigan have increased at a rate quite comparable to those of other private universities across the nation.

Even with these increases, the University's absolute tuition levels for nonresidents remain several thousand dollars below those for private universities of comparable quality. □

Model 3: Revenue-Driven Models

Thus far we have considered only "cost-driven" models for setting tuition, since these have been most common in higher education for many years.

However, there is an alternative approach in which one first determines available revenue...setting tuition at some reasonable level reflecting market...and then demands that operating costs not exceed these revenue estimates. This "revenue-driven" model assumes that the variables are not tuition or other revenue sources (e.g., prices) but rather institutional characteristics such as:

- i) enrollment
- ii) program quality
- iii) program breadth and diversity

Further, such an approach also assumes the institution has some capacity for cost-reduction measures.

It should be observed, that while such revenue-driven models are most appropriate for the private sector, where price is truly determined by the marketplace, they may not be quite as adaptable for higher education. The marketplace is rarely allowed to determine tuition levels. (Indeed, if it were allowed to do so, the tuition levels at the most selective institutions would be far higher than even their present levels.) Furthermore, there are constraints on the internal actions an institution can take to control costs...e.g., the impact of tenure on capacity to reduce

faculty size, political pressures to maintain enrollment levels and program breadth, and the fact that most institutions are already operating at the margin in terms of cost reduction. In fact--and ironically--frequently the only unconstrained variable is quality itself. That is, efforts to reduce costs to stay within a given budget can sometimes only be made by accepting lower quality objectives.

The Actual Experience

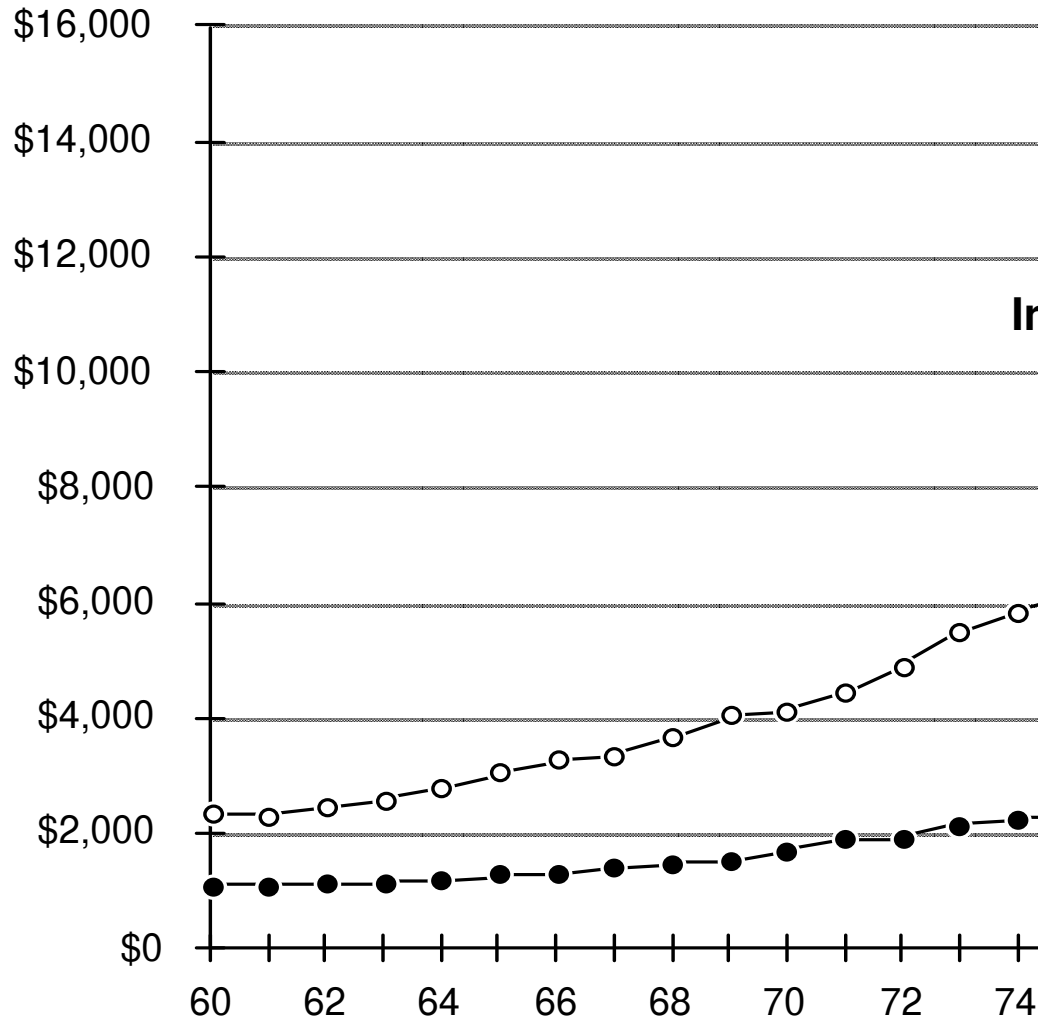
Trends

Tuition increases are NOT increasingly dramatically faster than disposal personal income. Over the past 15 years, tuition has increased 232% while personal income has risen 252%.

More specifically, from 1970-71 to 1986-87, tuition nationwide has risen at an average rate of 7.8% while the CPI rose at a rate of 6.7%

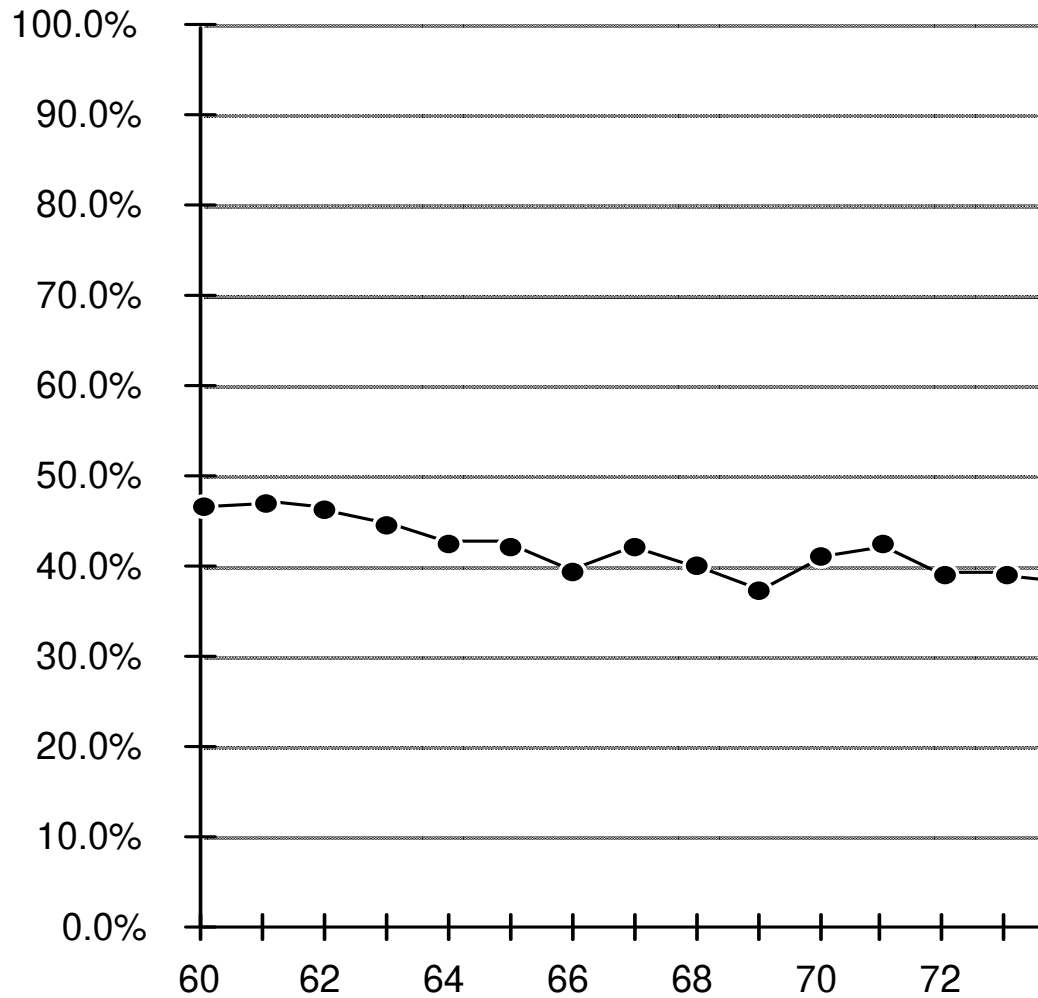
Over the past two decades, there has been very little change in the percentage of income required to meet tuition costs.

Trends in Annual Cost to Michigan vs Trends in Michigan Per Capita Income



Another way to look at it...

Annual UM-AA Tuition, R as a Percent of Michigan Per 1960 - 19



Indeed, college prices have risen far more slowly than many other costs in our society, such as the costs of a new car, a new home, or health care.

Comparison of Public and Private Tuitions

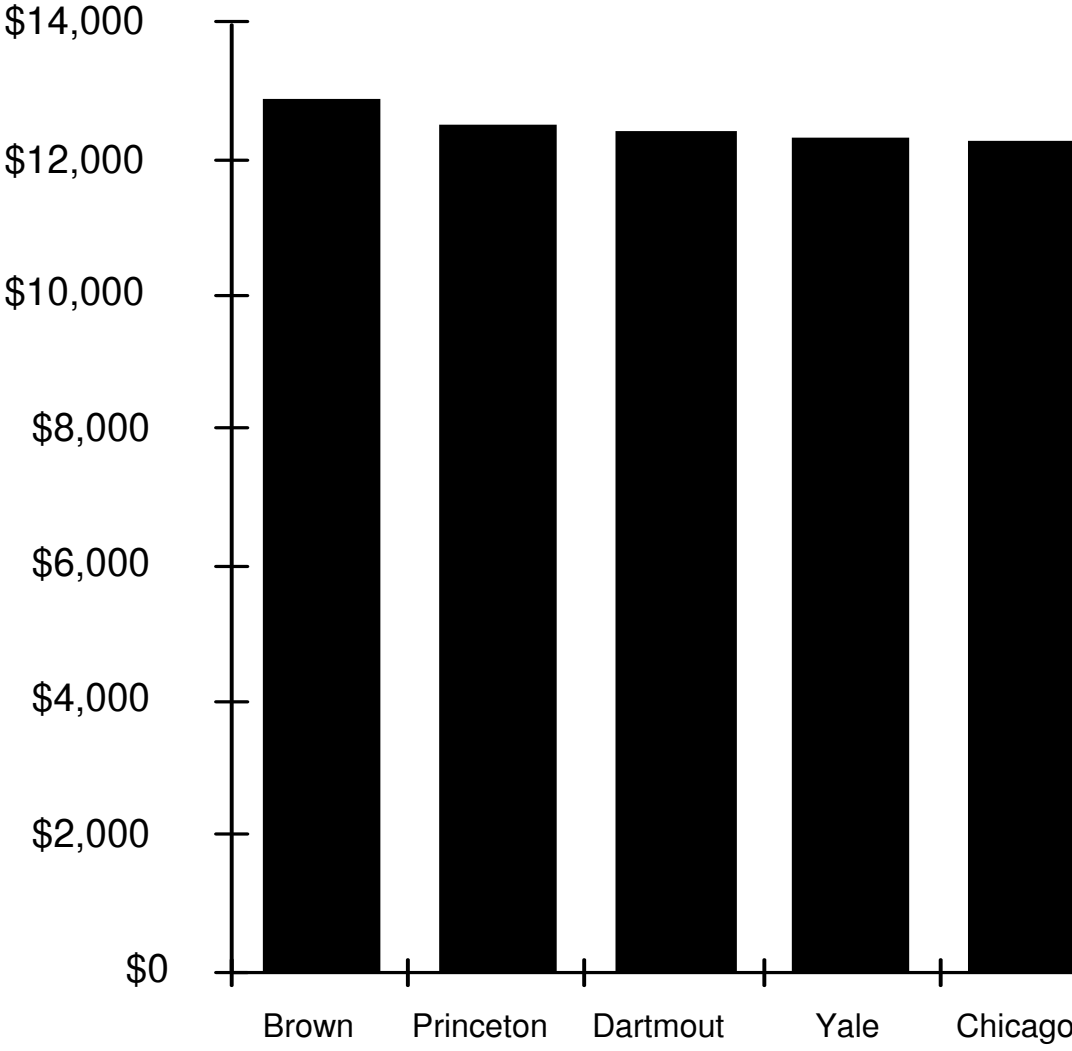
Why do people so confuse public with private education?

...a factor of 5-10 times in tuition!

The difference between the costs of a public and private education

Some comparisons:

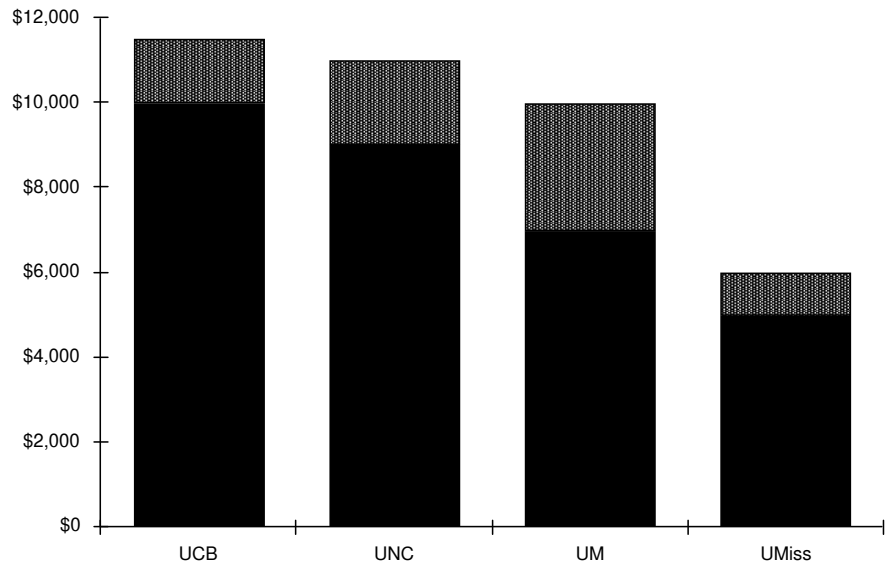
Tuition Costs for a Micro... at the Top Un...



Another comparison:

presumably also supported.)
 We could take those institutions with similar appropriations
 per student...and compare their tuition levels

An Example:



Comparisons

Price Comparisons

	1960	1990
Car	\$3,000	\$15,000
House	\$40,000	\$200,000
Medical	\$2,000	\$10,000
Vacation	\$1,000	\$4,000
Private Tuition (4 y)	\$12,000	\$70,000
Public Tuition (4 y)	\$3,000	\$15,000

How much does a Michigan education cost?

\$14,000

A cheap Chevy

1/10 of a house

One-half of one year in prison

CPI, HEPI, family income

Other costs

Health care

Automobiles

Vacations

Homes

Recent Gallup polls indicate most people believe that
 student debt is excessive.

Yet the average debt associated with federal loans is \$14,000...about the same as for a new car ...and only a small fraction associated with a mortgage.

And the value of a college education is certainly far higher than a car or a house...

The bottom line

“The available evidence shows that the ability to pay for a college education is more or less the same. Hence the issue is NOT the ability to pay. Rather the issue is the willingness to pay...”
NYTimes (5/12/87)

Value

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 an incredible bargain.

At a leading university such as the University of Michigan we estimate that we invest roughly \$25,000 per year, per student to create the learning environment necessary to prepare our graduates for the 21st century.

Since our present in-state tuition levels are \$3,200, we are asking parents to contribute less than twelve cents on the dollar. Not a bad deal I'd say!

Note one positive benefit:

College has become too expensive for students to be passive or indifferent about their learning or primarily focused on social life.

Students should be actively involved in their learning so as to make the most productive use of their time.

Trends and Issues

Shift in Public Policy

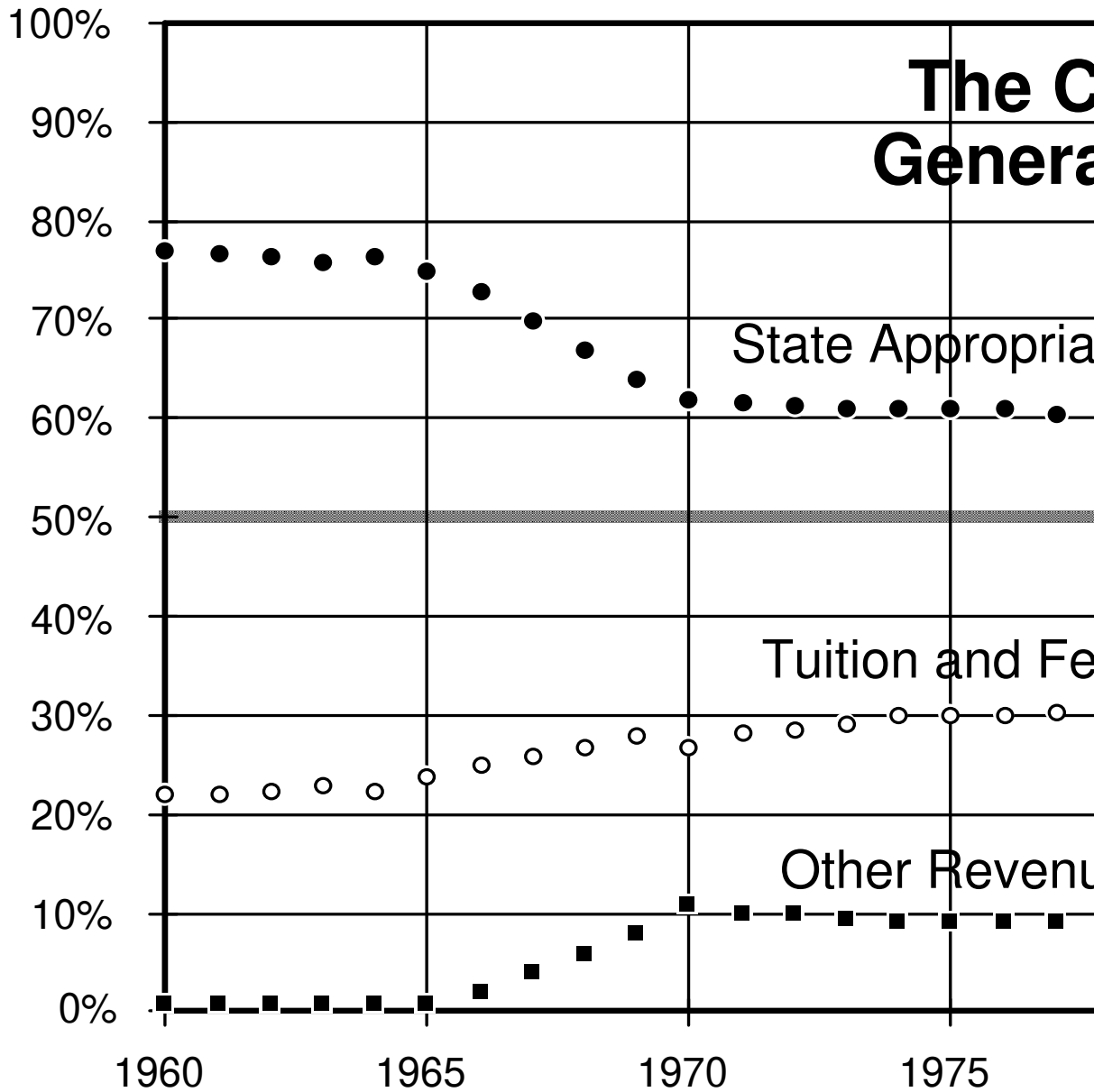
What we are seeing in Michigan and across the country is a dramatic shift in public policy ...never fully debated or discussed with the electorate-- that shifts the costs of education from the public to the students and their parents.

The evolution of our public institutions has been shaped by “the public principle”: the public university is established and supported through general taxation to benefit society.

The basic premise is that support should be by society as a whole since society gains benefits from the institutions, just as do those individuals participating in its particular education programs.

Yet, in recent years, both state and federal government have taken actions which shift the costs of public higher education from general tax revenue to the students (and their parents) who benefit most directly from this education.

In effect, we have been shifting from taxes to user fees...



Unlike most developed countries that see investments in youth as investments in the national future, our political leadership has chosen to view education as just another consumer item, of no special relevance to the long term.

The problem is that it is not only our students and their families and our universities who pay the price.

Their children and generations to come will pay because society has no more precious resources than its children if it wants to survive and prosper in the coming new century.

A Case in Point: The State of Michigan

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.

Shift in Family Priorities

Something has changed in Michigan and in America...
I was brought up in a long tradition in which one's first responsibility was to one's children.
My parents took great interest in my studies...they scrimped and saved for my college education.
My wife and I have done the same--as I expect have many of you in this room.

But what about our fellow citizens?

What has happened to us as a nation?
Today's generation seems different.
Perhaps it is the "me" generation of the 1960s, now grown into comfortable yuppiehood...
...a generation that has vigorously defended its rights, but all too frequently failed to step up to its responsibilities.
Of perhaps it is due to an aging America, willing to place highest priorities on the needs of a retired generation--while leaving little left for the young.
Whatever the reason, it is clear that we may well become the first generation in the history of America that will go down in history as unable...
...or unwilling...to provide for a better future for the next generation...our children and grandchildren.

We have become consumers of education, not investors in the future.
As a nation we have been spending our children's future to pay for greedy consumption and quick fixes.
Instead of investing in our schools
We have squandered money on junk bonds and leveraged buyouts, on payouts and write-offs to people who already have enough.....or more than enough.

Broader trends

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
Of course, these themes of the future, the changing nature of the American population... our increasing interdependence with other nations and other peoples... and the shift to a knowledge-intensive, post-industrial society.
Are actually not themes of the future
...but rather themes of today...
...in a sense, I have simply been reading the handwriting on the wall...
Yet I also fear that few have realized the enormous changes that our society is going through as it

approaches 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 other 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

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.

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.

The actions we must take today...
...and the investments we must make...
...will clearly determine our capacity to respond to this future...

What Can Be Done

Cost Containment

What about productivity increases?

Just as one cannot speed up a symphony to make it "more efficient" to produce, so colleges have not been able to speed up the education process. Productivity increases in higher education come in the form of increased learning.

Cannot simply discontinue a program, since certain fields are essential.

Also cannot retrain staff (a French professor cannot be retrained to teach mathematics).

Unbundling strategies:

Unbundle distribution:
telecommunications, networks...

Unbundle products:
mid-career training, nontraditional education, niche markets

Unbundle pricing:
differential tuitions, fees

Unbundle labor deployment:
differential faculty roles (teaching, research, service)

Other Resources

What is the prognosis?

Not very likely to brighten very much unless there are different government spending priorities. Increases in student aid, if the funds could be found, would help significantly in holding down tuitions, which are driven up, in part, to pay for institutionally funded student aid.

It is clear that tuition increases have helped to compensate for the decline in federal student aid.

Philanthropy

Americans give \$104 B...but only 9.4% to education (46.2% is to churches, 10.1% to human services, and 9.1% to hospitals)

Unfortunately, the contributions to education is the only component decreasing (-5% last year).

Could be demographics as our population ages.

But, spending on education is an investment...
...spending on the elderly is consumption.

Redefining Mission

What do we get for our money?

This past year the taxpayers of this state contributed over \$270 million through state appropriations to the University of Michigan.

What did they get in return?

Well, there are certain obvious payoffs...

- i) an outstanding education of roughly 50,000 students (80% of them Michigan residents!!! Including 29,000 undergraduates)
- ii) the production of 12,000 graduates at

all degree levels
in all disciplines and professions

But they got far more for this investment

Dollars:

- i) In comparison to the \$270 M invested by the state, the UM attracted to Michigan over \$300 million in federal support--most of which came in the form of sponsored research contracts and student financial aid.
- ii) Further, the students attracted to our programs contributed roughly \$300 M additional dollars to tuition and fees...
- iii) In addition, the auxiliary activities of the University contributed another \$800 M to the state's economy...
- iv) Or \$1.7 billion, in all -- a multiplying factor of six-fold

Economic Development

- i) But far beyond that, we estimate the true economic impact of the University multiplies its state appropriation by at least a factor of ten or more...
- ii) For example, the UM's engineering programs-- supported in part by the Research Excellence Fund, are credited as a key to the recent growth of a \$5 billion industry in industrial automation in the southeastern Michigan area.
- iii) Each year the University spins off dozens of new companies, creating new jobs and attracting new dollars to our state
- iv) Each year the UM attracts to Michigan new companies...
...as evidenced by the announcement in Ann Arbor that Philips Electronics has just agreed to site a major \$200 M factory in the Ann Arbor area
- v) Or exciting new ventures such as
...the National Research and Education Network
...CEISIN
- vi) Each year the UM produces thousands of engineers, scientists, business executives, lawyers, teachers,...and all of the other professionals so necessary to compete in the knowledge-based economy which characterizes our world.
- vii) Recent studies have indicated the rate of return on basic research is 28%!

Health Care

But of course there are so very many more payoffs from this investment.

Last year, over 750,000 patients were treated in the UM Medical Center...regarded as one of the world's great centers of quality health care.

Indeed, our recent market surveys have indicated that essentially every family in this state at one time or another has had one of their members referred to and treated by our doctors.

Further, the through its activities in medical

research continues to have great impact
on the people of this state...

...whether it was conducting the clinical
trials for the vaccine developed by
one of our faculty members, Dr.
Jonas Salk...

...or the recent announcement last fall
that a UM team of scientists had
identified and cloned the gene
responsible for cystic fibrosis

I would suggest there is not a person in this
room whose life has not been...or will
not be touched at one time by our
doctors and medical scientists!

Social Change

But there is so very much more...

The University continues to serve as one of
the great engines of social change in our
state...

Whether it is the Michigan of the Big Chill...

...the long tradition of student activism
awakening the conscience of our society
The Teachins of the 1960s against the war in Vietnam
EarthDay in the 1970s to raise concerns about the
environment

Our celebration of Martin Luther King Day last month
with an educational experience involving thousands
to highlight the importance of tolerance and
mutual understanding

Or the extraordinary impact of our regional
campuses as they educate first
generation college graduates

Or the leadership we are providing in
addressing the needs of our minority
communities...as evidenced by the
Michigan Mandate (hand out)--widely
regarded as one of the nation's most
visionary approaches to affirmative action.

It is clear that the public research university...

...an institution for which the University of Michigan
is not only the prototype, but perhaps also the flagship...
...touches the lives of a great many people in a
great many different ways...

Through education, research, and service...

through health care, economic development, and
...yes...even through a sense of pride in their
athletic accomplishments.

Yet as important as these institutions are today in
our everyday lives, it is my belief that
in the future they will play an even more critical role
as they become the key player in providing the
knowledge resources...knowledge itself, and the
educated citizens capable of applying it wisely...
necessary for our prosperity, security, and
social well-being.

Quality vs. Access

A different way to look at it...

...investment rather than expense

Conclusions

Political Issues

The Public Challenge

In recent years, there have been many concerns raised about the future of higher education in Michigan, e.g.,

- i) How to provide the best possible college education for the sons and daughters of Michigan citizens.
- ii) How to keep tuition affordable?
- iii) How to provide adequate financial aid to meet the needs of all Michigan residents?
- iv) How to increase the productivity and efficiency of our programs?
- v) How to assess the impact of new programs such as the Michigan Education Trust on the quality of our institutions?

Because our public universities will play such a vital role in the determining the future of our state, the presidents and chancellors of Michigan's public universities have come together in a series of joint forums conducted across the state to focus public attention on the most fundamental issue facing higher education as we enter an election year.

Namely, how to continue to provide broad access to quality higher education in Michigan in the face of the serious erosion in public support which has occurred in our state in recent years.

We want to work with state leaders to develop a plan to reverse the steady erosion in public support of higher education in Michigan which has seen our state slide from being a national leader to a place among the lowest in the nation.

It is hard to believe, but Michigan now has slipped to 45th among the states--almost dead-last--in the increase in support it has provided higher education over the past decade.

Indeed, Michigan now has fallen below the national average in state support for higher education by \$458 per student.

Hence, the real issue...and the real challenge facing higher education in Michigan is obvious:

We must face up to the silent shift of public policy that has, in just a few years, undermined the public principle of higher education--that is, the support of higher education by public tax dollars rather than student tuition.

We must put the "public" back in public education. We simply cannot let either the quality of or the access to higher education in Michigan deteriorate any further.

Concerns...

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

Of course, these themes of the future, the changing nature of the American population... our increasing interdependence with other nations and other peoples... and the shift to a knowledge-intensive, post-industrial society.

Are actually not themes of the future
...but rather themes of today...
...in a sense, I have simply been reading the handwriting on the wall...
Yet I also fear that few have realized the enormous changes that our society is going through as it approaches 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 other 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

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. 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. The actions we must take today...
...and the investments we must make...
...will clearly determine our capacity to respond to this 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.

Governor's Higher Ed Task Force

The alarming situation for higher education in Michigan
has not gone unnoticed by public leaders...

A loud warning was voiced back in 1985 by the Governor's
Commission on the Future of Higher Education in Michigan

The Commission clearly identified the fact that
"public higher education in Michigan is at
a crossroads".

It noted that per capita support had fallen from
from a position of national leadership to one of
the lowest levels in the nation.

Further, it noted that Executive Order cuts
had played havoc with planning, resulting in
maintenance deferrals, equipment purchase cuts,
and eroded support for fundamental activities--
all at a time when other states were increasing
support for their systems of higher education.

It credited Michigan's universities with launching
a systematic process of improving efficiency
and redirecting the system. In particular, it
noted that from 1980 to 1984, over 100 programs
were eliminated, thereby indicating the
discipline, good management, and commitment
of higher education leaders to use public funds
responsibly and frugally.

The report concluded that if nothing was done, higher education
in Michigan was likely to face a future in which
mediocrity is coupled with inaccessibility, a
totally unacceptable result for Michigan's citizens.

Let me quote the conclusion of the report:

"To provide wide access to a higher education
system of mediocre quality is to perpetuate a hoax
on Michigan's citizens."

Risks to the U of M

The state's flagship institution, the University of
Michigan, is at particular risk.

Despite its critical role, the U of M has been particularly
disadvantaged in its efforts to achieve adequate
state support in recent years.

Due in part to the intensely political dynamics of
legislative process--and to the absence of any
public policy in higher education --the University
has consistently been given the lowest priority
in state appropriations for several years.

- i) It has ranked last, 15th of 15th, in five of
the last six appropriation years
- ii) The combination of low priority within the
legislative appropriation process and the
general erosion in state support of higher

education has led to a situation in which state appropriations to the University have exceeded the inflation rate in only four of the last 10 years.

- iii) Over the past two decades, the U of M ranks last among Michigan's public universities in the growth in state appropriation.
- iv) A similar picture of eroding priorities appears in the U of M's share of state capital outlay support for academic facilities, where again it ranks last in state support over the past two decades.
- v) Indeed, during this period the State has provided funding for only two new academic facilities on the Ann Arbor campus... and then only at a 50% participation rate.
- vi) Over the past two decades, Michigan's peer public institutions have been receiving an average of \$25 - \$30 M per year for facilities. In sharp contrast, the U of M has received less than \$4 M per year!
- vii) As a result, the inventory of critical facilities needs of the University has now swelled to over \$200 million.

As with the state's other public universities, the constitutional autonomy of the U of M has been the key factor enabling it to sustain the quality of its programs and its capacity to serve the state in the face of eroding state support.

The University has been able to sustain---at least for the moment---its quality in the face of these declining appropriations only by a combination of extraordinary internal management actions.

These difficult actions were necessary to focus resources on only the very highest priorities, intensified efforts to attract resources from the federal government and the private sector, and the need to increase tuition and fees.

The impact of these efforts is obvious as state appropriations became a dwindling proportion of the University's operating funds. In FY90, state appropriations will have slipped to less than 44% of its General Fund (unrestricted) revenues and less than 15% of its total revenues.

Further, even this strategy of internal prioritization and the development of alternative sources of support has been threatened by recent efforts by Lansing to interfere with the University's autonomy in the areas of tuition, nonresident enrollment, and even curriculum and faculty hiring.

It seems clear that such efforts, if successful in the face of inadequate state appropriations, will cause serious and permanent damage to the University.

Question: What is the principal source of the irritation between the Governor and higher education?

Answer: The Governor's efforts to set university tuition levels.

Why?: This is viewed by the institutions not only as an inappropriate tampering with institutional autonomy, but it is furthermore seen as posing a very serious threat to the quality of public higher education in Michigan since tuition constraints are being applied during a period of eroding state appropriations.

Other Observations:

1. It is clear that motive to control tuition levels for Michigan resident students has little financial basis. Tuition levels at public institutions are already quite low. Further, tuition represents only a small part of the total cost of an education (< 30%). Finally, even these small costs are compensated by strong financial aid programs for those students with financial need.
2. Rather, the motivation behind tuition control is political opportunism, stimulating and playing upon a serious public misunderstandings of the real costs of higher education. Tuition control is also clearly a response to the political dangers generated by design flaws in the Michigan Education Trust program.
3. It seems clear, however, that the forces creating such bitter conflicts over tuition will continue to intensify. As public institutions become ever more tuition dependent in the face of the low priority given funding of higher education by the Blanchard administration --and their boards and leadership become more scarred from the brutal assaults on institutional autonomy conducted by the Governor's staff--they will become even more determined to resist tuition control pressures. Yet, as MET digs itself deeper and deeper into a financial hole, the pressures on the Blanchard administration to intensify their efforts to set university tuition levels will continue to grow.
4. It seems imperative for the quality of higher education in Michigan and the future of our State that both sides, our public universities and the Governor, work together to remove the serious obstacle to cooperation represented by tuition control.

What has happened to our priorities?

What is wrong here???

Why is public education in Michigan and across American at such a great risk today--even as our need for an educated population intensifies?

Who is to blame???

Our schools and colleges???

Certain our schools must take strong actions to improve quality and strive harder to operate in a more cost-effective manner.

They must be far more willing to embrace rather than resist change, leaving behind the smokestack, industrial approach to education, and the blue-collar approach to their employees, their teachers.

Certainly too our teachers and administrators must set higher standards and focus their efforts on education.

But it is clear that we must not lay the primary blame for the crisis in public education on the schools themselves.

In a sense, they have fallen victim both to our changing priorities as a society and the crushing bureaucracy we have forced upon our schools.

What about our elected public officials???

Are they to blame?

Once again, it seems clear that many of those in elected public positions have given only lip service to the need of education, responding with mere rhetoric or gimmicks...or even worse, playing with education as a political football.

Yet, here too, we must not assign primary blame for the

crisis in public education to those holding elected office.
Indeed, it seems clear that the message is finally beginning to
get through to those in a position to act.

Our elected leaders--whether in Washington,
or in Lansing, or in our local communities--
would like nothing better than to be identified with
positive support of education...

...to be known as the education president

...or the education governor or the education party

Many of them understand the importance of investing in
our human resources and are searching for creative ways
to improve public support for education.

But they also face formidable constraints, since in the
end they must be responsive to the wishes of the
electorate...and face it, gang...the electorate today
says:

i) no more taxes...

ii) no more crime...

iii) no more cuts in social services or national defense...

and our public officials have no choice but to respond.

No, the real finger of blame for the crisis we face in education
should be pointed, as Michael Jackson would say,
at "The Man in the Mirror"... ..at you and at me...

We are the ones who fail to demand the highest quality
in our educational institutions in Michigan...

We are the ones who steadfastly resist a tax base adequate
to support both our needs and desires...and provide an
adequate level of support for quality education in this state.

We are the ones who block any effective efforts to achieve
equitable financing of education in Michigan.

We are the ones who often are too busy to help our own
children in their studies or participate in their activities.

And we are the ones who insist on building more and more
prisons, even when we know that this investment
comes out of the hide of education and social services--
which are, of course, the only true long term solutions to crime!

Something has changed in Michigan and in America...

I was brought up in a long tradition in which one's first
responsibility was to one's children.

My parents took great interest in my studies...they
scrimped and saved for my college education.

My wife and I have done the same--as I expect have
many of you in this room.

But what about our fellow citizens?

What has happened to us as a nation?

Today's generation seems different.

Perhaps it is the "me" generation of the 1960s,
now grown into comfortable yuppiehood...

...a generation that has vigorously defended
its rights, but all too frequently failed to
step up to its responsibilities.

Of perhaps it is due to an aging America, willing
to place highest priorities on the needs of a
retired generation--while leaving little left
for the young.

Whatever the reason, it is clear that we may well
become the first generation in the history of
America that will go down in history as unable...
...or unwilling...to provide for a better future
for the next generation...our children and
grandchildren.

We have become consumers of education,
not investors in the future.
As a nation we have been spending our children's future
to pay for greedy consumption and quick fixes.
Instead of investing in our schools
We have squandered money on junk bonds and
leveraged buyouts, on payouts and write-offs to people
who already have enough.....or more than enough.

An Appeal for Help

To You...

Higher 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 higher 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.

We simply have to dedicate ourselves to improving education
for every child in Michigan--not only in our universities,
but at all levels.

Our people are our strength...
...our children are our future.

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

1. I ask you to work with us to develop and implement
a strategy to bring us from the very bottom among
the states to a position of national leadership once
again in our support of public higher education.
2. Let us 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. Let us 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. We are all the guardians for the moment of an
extraordinary resource for our state--one of the
world's finest systems of higher education--
a system that has resulted from the commitment
and sacrifices of eight generations of Michigan citizens.
Let us work together to serve the people of Michigan
--to educate new generations and provide the

ideas and discoveries to build and sustain our
quality of life.