

CONFIDENTIAL MEMORANDUM

TO: Members, Board of Regents
FROM: James J. Duderstadt
DATE: August 2, 1991
SUBJECT: 1991 Annual Report of the President:
The State of the University

Rather than draft my usual monthly report, I thought I might try something a bit different this month. Instead I have provided my personal assessment of the "state of the University" as it stands in the summer of 1991. In this first effort at what I hope will be a series of annual reports, I have attempted to evaluate how I see the University--its status, progress and challenges. In separate memoranda I have also provided a personal evaluation of the leadership of the University, the performance of the Board, and, a self-appraisal of my own performance. As with my monthly reports, these memoranda will be quite candid and hence are intended as "personal and confidential".

It is my hope that you find such an assessment of value in understanding better the extraordinary opportunities, responsibilities, and challenges now before the University. This letter report should also provide some background for your evaluation both of my own leadership and that of the University administration more generally.

1. The Year Past

All in all, this has been a quite remarkable year for the University. While a more extensive listing of various activities and events has been provided in my annual activities summary, let me note a few of the highlights.

We began the academic year last fall with yet another series of exciting announcements from the genetic medicine research team led by Francis Collins. This group is doing some of the most exciting medical research in the world today--and we are told they are likely to receive the

Nobel Prize in the next few years. They have systematically identified the genetic causes of several of our society's most crippling diseases--cystic fibrosis, neurofibromatosis, diabetes, the inability to control cholesterol levels, and

most recently focusing their attention on the genetic causes of breast cancer. Yet beyond this, Michigan scientists are attempting to develop gene therapy methods to deal with these tragic diseases. In many ways, the leadership being provided by Michigan's medical scientists today is similar to that it provided 40 years ago when it performed the clinical trials for the Salk vaccine. Further, as Professor Collins pointed out at one of last year's Regents' meetings, since genetic causes are key to many of today's most crippling diseases (heart disease, cancer, AIDs,...), the University is clearly providing leadership of great importance to our society.

Last year our students provided similar excitement through the Sunrunner project: the effort to design, build, and race a solar-powered automobile in both national and world competitions. The Michigan team of 150 students finished first in the national race from Florida to Michigan and won the right to represent the United States in the world competition in the outback of Western Australia. Competing against over 45 teams from countries throughout the world, Michigan finished third, behind only Swiss and Honda factory teams. It was a proud moment for the University.

Michigan scholars continued to win high honors throughout the year. Last fall two Michigan faculty won the MacCarther Prize, Rebecca Scott and Sherry Ortner, to be joined this June by Alice Fulton as yet another MacCarther winner. We also had a bumper crop of new members of the national academies (Science, Engineering, Medicine, Arts and Letters). And, while we continue to be under serious raiding pressure, after reviewing this year's promotion case books, I believe that the quality of our faculty is stronger than ever.

Several key facilities projects were completed, including the Child and Maternal Health Care Center and Schembechler Hall. And, of course, this September when Michigan plays Notre Dame, we will break in the "new" Michigan Stadium with its lowered field and "prescription athletic turf".

The University's impact in science and engineering continued at a leadership level. As you know, for the past several years the University, in partnership with IBM and MCI, has managed the principal computer network, the National Research and Education Network, linking together over three million users in universities, industrial and government research laboratories around the world. This effort has now become so successful that last fall UM, IBM, and MCI formed a nonprofit corporation, Advanced Network Services, Inc., to handle the next phase of the network as it evolves into what will eventually become the "interstate highway system of information exchange". This past spring ANS, Inc. spun off its first for-profit subsidiary.

Furthermore, we have moved into the advanced stage of the Institution File Server project in partnership with IBM, accompanied by the contribution by IBM of a complete upgrade of our principal mainframe computers to their most advanced models (roughly a \$50 million effort). It is clear that the University's efforts have positioned the State of Michigan quite well for a leadership role the rapidly evolving information technology industry.

Last fall it was announced that a team of Michigan engineers and scientists led by Professor Gerard Mourou, had built the world's most powerful laser. In December the National Science Foundation announced that Michigan had been selected as the site of a new \$15 million National Science and Engineering Center in the Ultrafast Optics. I should note here that Mourou and his team were attracted to Michigan through the use of the Research Excellence Fund.

The University's outreach activities intensified both throughout the state and around the globe. Michigan is now playing the leadership role in coordinating an unusual public/private sector effort to develop a reform agenda for K-12 education in Michigan, working closely with the Business Roundtable. Michigan faculty and students were active around the world, from the Pacific Rim to Eastern Europe, in a wide range of activities. Of particular note was the role of the Institute for Social Research in building new social science research centers in Poland and the Soviet Union.

Closer to home, the University took an important step by moving ahead with an ambitious plan to make the campus a safer environment for living and learning. Included in this was the formation of a campus police force and a major effort to improve lighting and transportation. The University also developed an important strategic plan to address the increasing challenge posed by substance abuse on college campuses, developed by a broad based task force chaired by George Zuidema.

Progress continued on the Michigan Mandate, the University's efforts

to better respond to the needs of a multicultural America, While the detailed progress was summarized in a report to the Regents last May, suffice it to note that: i) the University currently enrolls the largest number of minority students in its history--in every ethnic group, in every program, and at every level, ii) the University is among the national leaders in minority graduation rates, and iii) the University clearly has led the nation in recent years in its efforts to recruit outstanding minority faculty, with over 140 added in the past three years alone.

While measures of institutional quality are generally measured in terms of individual achievements, the various programs of the University continue to be ranked among the nation's leaders. More specifically, in this year's U.S. News and World Report rankings, Michigan ranked 9th in the quality of undergraduate education, 5th in engineering, 6th in Law, 8th in Business, and 11th in Medicine. It should be noted that Michigan, Cornell, and Stanford were the only universities ranked among the national leaders in all four professional schools! (It should also be noted that Michigan is ranked 30th among major research universities in dollars spent per student--providing important evidence of our cost-effectiveness.)

While this was not a banner year in Michigan athletics, we did manage to win our third straight Big Ten title in football and provided perhaps the most impressive performance in the nation on New Year's Day with our 31 to 0 victory over Mississippi in the Gator Bowl. Other Michigan sports, including men's and women's swimming, track, and tennis also excelled. And, while it was clearly a rebuilding year in basketball, Michigan finished the spring with what are regarded as the #1 recruiting classes in both basketball and football!

I should also note that Michigan alumni succeeded in a friendly takeover of the New York sports scene, with Bob Nederlander becoming managing owner of the Yankees, Fred Wilpon's ownership of the Mets, and Bob Tisch buying 50% of the New York Giants.

Of course, one of the highlights of the year was Spring Commencement, when the University honored--and was honored by the presence of--President and Mrs. Bush in an extraordinary commencement ceremony, attended by over 70,000 spectators and 8,100 graduates. It was a moment of great pride for the University!

While any of the items on this list would be extraordinary accomplishments for most universities, they are all part of business as usual at the University of Michigan. They also demonstrate that the affairs of the University are in the good hands of a remarkable group of faculty,

students, and staff.

2. So Where Do We Stand in August, 1991?

As I have said on many--perhaps too many--occasions, the pace of change in our society during the 1990s is accelerating at an extraordinary rate. We are being swept along toward the 21st Century by the forces of changing demographics, internationalization, and the increasingly central role played

by knowledge in economic competitiveness and national security. As a result the United States, like the rest of the world, is changing rapidly.

Hence higher education faces the challenge of both responding to and, to some degree, influencing this change process. In a very real sense, the 1990s will require a rethinking of the nature of the university--particularly, the public university--and I believe that the University of Michigan can and should play a leadership role in this effort.

It goes without saying that our capacity to play such a leadership role in defining the nature of higher education for the 21st Century will be determined by a number of factors. Clearly our reputation as the flagship of public higher education for over a century, coupled with our unusual combination of program quality, size, and breadth are important. So too will be our firm commitment to protecting fundamental academic values and pursuing academic excellence.

But I believe leadership will require more. It will require the capacity to attract and sustain individuals of extraordinary ability, vision, intellectual span, and leadership ability. It will require a bit more of a spirit of venturesomeness--risk-taking--throughout the University. It will require addressing several of the serious resource issues presently faced by the University--including the tragic erosion in state support it has experienced throughout the 1970s and 1980s. It will require far more of a strategic focus on the part of University leadership. And it will require the strong understanding, commitment, and support of the Board of Regents to this leadership role.

The importance of Michigan's leadership has become ever more apparent with each passing month. The scandals experienced by Stanford, the change in leadership at Harvard, most tragically, at Stanford, the budget difficulties faced by the University of California and most other public institutions, all suggest that there remain few universities today with both the capacity and the credibility to provide the leadership essential to higher education in America. Michigan is one of that small

group. We have a responsibility to step forward.

3. Resource Challenges

State support this past year has been a mixture of good and bad news. On the good news side, in Governor Engler and Senator Joe Schwartz, we have two strong friends of higher education in general and the University more specifically. This was evidenced by their successful effort to shield

education from the deep budget cuts (-9.2%) that were dealt other state activities during FY1990-91. So too, with the exception of occasional posturing by Morris Hood, relationships with the Michigan State Legislature have been quite cordial for the past year.

However, the serious structural problems with the Michigan state budget (inadequate tax revenues to cover the staggering growth in state expenditure commitments), coupled with a weakening state economy, had major implications for public education. The deficit in the state budget grew throughout the year, amounting to roughly \$1.4 B at one point. Since tax burden had been a key issue during last year's gubernatorial campaign, tax increases are not a politically acceptable alternative to deal with the growing budget problems--at least in the near term. Further, beyond a first phase of budget cuts (the -9.2% reduction noted above), the Governor and Legislature were unable to agree on a package of further cuts. Hence, the remaining budget problem was pushed into the next fiscal year through accounting devices and deferring payments to higher education.

As a result, while we were indeed successful in avoiding serious cuts during the past year, aside from a -1% reduction in base and the elimination of \$3.4 million in deferred maintenance funding, we found our August and September appropriation payments, totaling \$25 M, deferred into FY1991-92 or possibly even eliminated. Further, we will face an environment in which the state has now accumulated what is estimated to be a \$1.8 billion shortfall between existing expenditures and anticipated revenues for FY1991-92. This 20% budget problem, one of the most serious among the states, will plague state financing for the next several years. It seems increasingly clear that without some form of tax restructuring, the funding of public education in Michigan will be at serious risk, regardless of the priority given it by the Governor and Legislature.

The news at the federal level is also mixed. The University continues to be quite successful in competing effectively for federal research grants and contracts, and sponsored research volume continues to grow.

However, the Dingell hearings concerning indirect cost practices at Stanford have unleashed a flurry of efforts both in Congress and the administration to modify indirect cost recovery policies both to prevent abuse and to cut expenditures. Unfortunately, the manner in which these policies are being developed thus far fail to account for the differences in university accounting practices, and as a result, the University of Michigan along with several other universities (including Princeton, Yale, Penn, Columbia, and UCLA) are at great risk. If we are unable to modify the proposed policies, we could stand to lose as much as \$10 to \$12 million per year in indirect cost recovery.

Ironically enough, the institutions most damaged by this Washington furor are those which have not been accused of misuse of federal funds, while those who have been the subject of investigation (Stanford, MIT, Caltech), because of different accounting practices, will not be seriously impacted. In a sense, the vigilante mobs unleashed in Washington by Mr. Dingell and his Oversight and Investigative Committee are determined to string up the first folks they run into, even if these are innocent bystanders; in the meantime, the bad guys are riding out of town unnoticed...

Fortunately, we have somewhat more optimistic news concerning the continued progress in private fund-raising. We have just completed the analysis of the past year's fund-raising efforts, and we find our gifts received up almost 14% to \$95 million, in spite of a difficult financial year for many of our donors. But, of course, we will have to do even better as we move into high gear for the Campaign for Michigan, now scheduled for a September, 1992 public launch. We are fortunate in having been able to enlist the efforts of a top-notch volunteer team, and Gil Whitaker has been doing a superb job in pulling together the school and college efforts. The task of raising \$800 million or so over a seven year period--the largest amount ever raised by a public university--will pose a great challenge. But, then, after all, that is what Michigan is all about, isn't it--pushing the envelope in higher education...

4. Internal Issues

The internal operations of the University are both complex and highly decentralized. Most of the important things which happen in the University's academic programs are due to strong leadership at the school and college level. Nevertheless, there are a few areas of particular concern that will require leadership from the central administration.

For some time there has been a growing concern about the quality of the undergraduate experience in major research universities such as Michigan. It was with this in mind that we launched the Undergraduate

Initiatives Fund several years ago when I was Provost, and committed several million dollars per year to this purpose. At that time we also launched a number of other initiatives including the renovation of all Central Campus classroom space, a renovation of the Undergraduate Library, major efforts to draw undergraduates into research experiences, and so on. But, perhaps most important of all, a number of important studies were triggered in each of our colleges with undergraduate programs (LS&A, Engineering, Nursing, SNR) to assess whether it was time for a major overhaul of undergraduate education at Michigan.

The results of these studies are now beginning to appear, and it is already clear that undergraduate education will become a key focus of the University during the 1990s. Indeed, the central role that undergraduate education will play in the Campaign for Michigan is already evidence of this thrust, with the possibility of a new undergraduate instruction center--the so-called "Gateway Campus", proposed for the North University-Power Center area.

Yet another area of growing concern involves the learning environment on campus--including issues of campus safety, student behavior, and student services. Last year's major focus on creating a safer campus environment was only the first step in what will be a major focus throughout the 1990s. This year we will be concentrating efforts on the issue of substance abuse and finding new leadership for the wide range of Student Services provided by the University.

In this regard, however, I should also mention the growing concern that the Executive Officers, Deans, and consultants visiting our campus have about the absence of a more formal student discipline policy at Michigan. Most believe--including our recent North Central Accreditation team--that Michigan, as the only university in the nation without such a policy--is at serious risk from this unusual policy vacuum. Here it is important to stress that the reference to a "student discipline policy" is quite independent of the far more limited student harassment policy (about which I too have significant doubts). Rather the administration believes we suffer greatly from the absence of policies and practices designed to deal with serious student offenses against the University community including physical assault, property theft or destruction, and serious disruption of University activities.

As it currently stands, the only University mechanism for dealing with such incidents is through Regents Bylaw 2.01, in which the President must serve as policeman, judge, and jury in handling each case which arises. It is my belief that we simply must bring the University into line with all other universities in America by developing an enlightened

student discipline policy capable of protecting the fragile learning environment of the campus community while providing appropriate due process for our students. During the year ahead we intend to discuss this matter at some length with the Board. But you should also be aware that we will require your strong and unwavering support if we are to step up to our responsibilities as a learning community.

Another internal area where we have not made adequate progress concerns the seriously deteriorating quality of academic facilities on campus. To my knowledge, the University of Michigan is unique among public

institutions in receiving only token state support for capital facilities in recent times. Indeed, over the past 25 years, we have received funding for only two new academic facilities--the EECS Engineering building and the Dow Laboratory for Chemical Sciences--and the state share in each of these projects was only 50%, for total state capital support of roughly \$72 million over the past two decades. Put another way, during this period, UMAA has averaged less than \$3 million per year in state capital outlay support, while our public peers have averaged \$30 to \$40 million per year--a factor of ten times higher. This has been particularly frustrating in recent years, when the Blanchard administration decided to launch a massive prison construction effort and freeze all funding for higher education--a situation we have been in for that past five years.

To calibrate the magnitude of this problem, we now estimate that we face minimum academic facilities needs during the 1990s of \$250 million to \$300 million. While we have been working very hard to break the capital outlay logjam in Lansing, the weakened financial condition of the state makes it unlikely that relief will come soon. Yet, after over two decades of starvation--and deterioration--our facilities needs have become quite severe. It is clear that private fundraising and indirect cost recovery can deal only with a small fraction of these needs.

Hence, the University leadership has become convinced that we will have no choice in the years ahead but to operate in a manner more similar to private universities and rely far more heavily on student fees for debt-financing badly needed facilities. For example, if we are unable to achieve any assurances from the state that funding will be available for the badly needed East Engineering, Physics, and Social Work projects--roughly \$100 million in magnitude--we intend to seek the Regents approval to move ahead with these projects through student fee financing. To calibrate the magnitude of such a mechanism, I would note that \$100 million would require \$10 million per year in debt service, or a student fee increase of roughly 6% across the entire student body.

5. External Issues

As I have noted on numerous occasions, the constellation of external constituencies relating to the University of Michigan is unusually broad and diverse. We must develop effective mechanisms to interact with parents and alumni, state and federal government, business and private foundations, local communities and key cities, the media and the public at large. The vastly different and all too frequently conflicting needs, understanding, and expectations of these diverse constituencies pose a particular challenge.

While the University had built and maintained an exceptionally strong organization for relating to alumni, and under Harold Shapiro's leadership, developed an effective fund-raising apparatus, it was clear that we were seriously deficient in most other areas of external relations. We simply had not appreciated the importance of sophisticated and effective operations to strengthen our relationships with the range of constituencies characterizing such a complex and critical enterprise as the modern public research university.

To address these deficiencies, we have moved along a number of fronts simultaneously over the last three years:

5.1. State Relations

Of course, key to our efforts was the objective of building effective mechanisms to interact both with state government and the people of the State of Michigan more broadly. In many ways, the University's approach to state government had been frozen in 1960s philosophy--relying on the President and Vice President for Government Relations to handle the complex interactions with this increasingly diverse set of players and agendas. Indeed, even the staffing of our state relations effort had deteriorated dramatically during the 1980s. (In this regard I should remind you that in 1980 we had a small but effective Lansing team consisting of Ralph Nichols, Keith Molin, and Roberta Palmer. In 1990 this team consisted only of Keith, assisted on occasion by Pete Pellerito.)

Fortunately we have had access to a good deal of experience in building an effective state relations operation. Farris Womack brought an important perspective from his former roles as state budget director in both Arkansas and North Carolina. Further, we were able to draw on Bob Teeter's advice and counsel in designing and implementing a multiple year plan aimed at building a strong, sophisticated state relations operation appropriate for the 1990s and beyond. And, of course, we have relied heavily on numerous interactions with experienced Lansing hands--some

of whom are our own alumni.

Our early efforts have been focused on developing an effective statewide outreach effort, using a network of alumni and friends to build the necessary grassroots support. Key in this effort was pulling together a coalition of Michigan's public universities committed to uniting in their efforts to influence public policy. (My role as chairman of the President's Council of State Universities in Michigan proved quite valuable in this regard.)

Bob Forman and his colleagues have formed a Citizens' Council of alumni to work on behalf of higher education in Michigan. The Council will eventually consist of a working group of roughly 40 members and a larger group of several hundred who can be called upon when necessary. The first chair of the Council will be Judge Damon Keith.

Lisa Baker has led an effort to develop a broad range of state outreach activities involving members of the University. Henry Johnson has focused on strengthening relationships with the City of Detroit. Both efforts are closely coordinated with Walt Harrison's public relations shop.

Another key group in the outreach effort is the "Michigan Business Higher Education Roundtable" group that I have put together over the past two years. This consists of 15 of the state's top industrial CEOs (Bob Stempel of GM, Red Poling of Ford, Bill LaMothe of Kellogg, Ted Cooper of UpJohn, Frank Popoff of Dow, David Whitwam of Whirlpool, Jerry Myers of Steelcase, Joe Antonini of K-Mart, Bill Cunningham of Consumers Power, John Lobbia of Detroit Edison, Alan Swartz, Bob Teeter, the presidents of UM, MSU, and WSU, and the Governor. Although the University of Michigan hosts its semiannual meetings, Frank Popoff (CEO of Dow) and I co-chair the group. While much of the attention of the group thus far has been focused first on K-12 education and most recently on the state's business climate, I believe that we are building a very important long term network capable of having significant impact on public policy concerning higher education in Michigan. The role that the University has taken in launching the group will serve us well in earning the support of business and industry throughout the state.

With state outreach activities now moving into high gear, we are turning our attention to building a more effective Lansing operation. I have asked Dick Kennedy to provide a plan for a permanent Lansing office, similar in many ways to our offices in Washington and Detroit. This would serve not only as the base for our Lansing operations, but it would provide a visible "extension" to facilitate providing University resources to

various components of state government. It is my intent to provide the Board with a more thorough briefing on our Lansing activities in early fall.

5.2. Federal Relations

Setting aside the recent flap over indirect cost recovery, we have been delighted by the success of our expanded Washington activities. In Tom Butts, Howard Gobstein, and Dave Heebink, we have what most regard as the strongest federal relations team in higher education. (Recent evidence was provided when AAU hired away Howard to be their new Vice President for

Federal Relations...) Our Washington office has given us not only an excellent staging area for interactions with Congress, but it is serving increasingly as the gathering spot for the federal relations representatives from other peer research universities. It also has provided excellent staff and logistics support for University faculty working the federal scene.

Not only has this strong Washington presence served the University well in our capacity to build strong federal support (the CIESIN and NREN projects are good examples), but it has allowed us to play an important leadership role in broader higher education issues. For example, Tom Butts and I have been playing a key role in the reauthorization of the Higher Education Act, including the development of a new direct student loan program that we hope will be an important mechanism for the support of middle income students during the 1990s. And, at this point my \$25 million NSF Graduate Traineeship program is still in both the House and Senate appropriation bills for FY92. Finally, I would also note that Michigan is playing a key role in restructuring the federal relations efforts of NASULGC, the association of state universities (whose federal relations committee I chair). With Howard Gobstein now leading the federal relations effort of AAU, we hope to play a key role in strengthening its efforts as well.

5.3. Media Relations

Throughout most of the 1980s, the University essentially ignored the development of strong relationships with the media. Indeed, the communications function was combined with development and focused on supporting fund-raising rather than media relations. Walt Harrison has done a outstanding job of turning this around. He has built a strong News and Information Services operation and established excellent relations with the local, state, and national press. In this regard, I should note that Walt is regarded as one of the best in the business in university public relations. (As evidence, Walt has recently been asked to chair a national task force to develop a strategy to rebuild public confidence and support for higher education.) His broad experience from his former service as head of a

media consultant firm for higher education has proven invaluable to the University.

To assist in providing the political interface between media relations and political activities, a year ago Lisa Baker joined Dick Kennedy's staff from her former position as vice president for public relations with the business roundtable group in Washington. She has done a masterful job in designing and implementing our state outreach plan. Working closely with Walt and colleagues from other peer institutions, she is now turning her attention toward developing a similar plan at the national level. To this end, we will

be reassigning one of her staff to work full time in our Washington office on national media relations.

5.4. Community Relations

Our recent experience with the introduction of a University campus police provided convincing evidence that we must pay far more attention to our relationships with the City of Ann Arbor and local community issues. Of course, the University has never ignored the city, since we have had numerous ongoing relationships with both city government as well as the business leadership of Ann Arbor. For several years the Executive Officers of the University have met once each term with the Ann Arbor leaders (mayor, city manager, superintendent of schools, etc.). Further, a number of us have been deeply involved in economic development activities in the community for the last decade.

However, it has now become clear that despite the best of intentions, we simply had not thought carefully enough about developing a strategic relationship with the city that was capable of dealing with the many diverse agendas and changing political winds characterizing Ann Arbor. Over the past several months, the Executive Officers, working closely with our external relations team (Dick Kennedy, Walt Harrison, Lisa Baker) have developed and implemented such a plan. A key element of the plan involves establishing a number of working groups: i) a group involving the key executive officers (Kennedy, Womack, Johnson) and key city officials (mayor, city council leadership, city manager, etc.), ii) another group working on more detailed issues (Krumm, Heatley, city manager, police chief, etc.), and iii) a less formal group consisting of me, Farris Womack, and a number of business leaders (Dave Wireman, Alan Mandel, Bill Martin, Tom Borders, George Cress), meeting on a monthly basis to discuss strategic issues concerning the community.

In addition, we have assigned Dick Kennedy the lead role in dealing with the City--particularly in developing close relations with the new mayor, Liz Brater. Moreover, Ned Gramlich, Paul Courant, and their

colleagues in IPPS have agreed to provide the city with ongoing support in key areas of public policy such as taxation. We are hopeful that this broad range of strategic efforts will improve relationships with the local community, although it is also clear that there will occasionally be issues on which we just disagree. It is clear as well that the Ann Arbor News, like most university community newspapers, will do their best to stir the pot from time to time.

In a similar spirit I should note that our outreach efforts with other Michigan communities continue to move ahead. Detroit continues to be at

the top of the list. Not only have I committed a good deal of my personal time to interacting with various city leaders, but we have also assigned Henry Johnson to play a liaison role with Detroit organizations. The renewal of our presence in the Rackham BuiUM-AA to work closely with city government, industry, labor, private foundations, and private leadership to address a wide range of issues facing the city of Flint, including education, public health, and economic development. As you know, Larry Crockett has been on a 50% appointment, reporting directly to me, to assist in planning and coordinating this effort. Last week we received notice that through our efforts, Flint will be provided with major federal funding for a new economic development effort led by UM faculty, beginning at a level of \$650,000 for the year ahead.

We hope to extend these community outreach efforts to western Michigan in the months ahead with an initial focus on Battle Creek/Kalamazoo and Grand Rapids.

6. Concluding Remarks

To be sure, these are both difficult and challenging times for higher education. Public universities today face the most difficult financial situation since the early 1980s, with most--including the University of Michigan--reeling from deep budget cuts in state appropriation. The federal government has added to these burdens with wave after wave of attacks on issues ranging from scientific misconduct to misuse of federal overhead funds to "price-fixing" of tuition and financial aid. The public at large--and particularly the media--has joined in the fray criticizing the universities of scandals in their conduct of intercollegiate athletics, tolerating a wide range of "isms" on the campus, and escalating the costs of a college education through waste and mismanagement. To this has been added the array of attacks from the full range of the political spectrum--from the radical left to the far right--associated with the term "political correctness".

Yet, despite these challenges, the responsibilities and opportunities facing higher education today, as the winds of change sweep both our state

and our nation toward a knowledge-intense future, have never been more extraordinary. Indeed, as a society we have never been more dependent upon these institutions.

And, fortunately, the University of Michigan today is not only strong and vital, but it is already charting a course and moving purposely ahead to serve the state, the nation, and the world in this exciting future.

Perhaps some of you recall the introductory remarks made by the CBS News team about the University during the live broadcast of the CBS Morning News from Ann Arbor two years ago. It noted that there were many fine private universities, and many large public universities. But CBS noted that the University of Michigan played in a different league than most other universities by successfully competing with the very best of the private universities in the quality of its students, faculty, and programs, while having the massive impact on society that could only be achieved by a large and comprehensive public institution.

Clearly the University is undergoing change today. Indeed, in many ways it is both stimulating and leading the change process for all of higher education. Yet the University also is approaching the future on a solid foundation of traditional values: its commitment to excellence, its effort to serve all of society, and its belief that its very special character is determined through a unique partnership between the University and the people it serves.