

FY88-89 State Budget Request

Narrative for Regents Meeting

October 15, 1987

1. Introduction

Since the birth of our state 150 years ago, there has been a strong bond between the people of Michigan and their university, the University of Michigan. Generation after generation of Michigan citizens have reaffirmed their commitment to provide in Ann Arbor an institution capable of providing to their sons and daughters an education equal to the best in the nation. They sought an institution capable of attracting to their state the most outstanding scholars, scientists and engineers, doctors and lawyers, and other professionals so essential to our prosperity and well-being. They recognized the need for an institution capable of creating through its research and scholarship the new knowledge so necessary to economic growth and development. And they sought an institution which could address through a myriad of public service activities the many challenges facing our state.

This sustained public investment and confidence in the University over the decades has enabled it to serve the state in all of these ways and more. Through this unique partnership, the University and its activities in education, research, and public service have served our state and its citizens well.

We have attempted to provide in a capsule form a number of short vignettes or datelines illustrating the extraordinary diversity in the ways that the University serves the citizens of the state. Behind each of these datelines is an important story of how faculty, students, and staff have committed themselves to public service benefiting our state. And yet these are only the tip of the iceberg...

Today our state faces new challenges that will call once again on the vast resources of its University. Michigan faces a period of dramatic economic change, during which it must evolve rapidly from a resource-intensive to a knowledge-intensive economy, in which intellectual capital will rapidly replace financial and physical capital as the key to economic development and prosperity. Michigan will become ever more dependent on key knowledge resources such as the University of Michigan as it faces the challenge of intense international competition and rapid technological change, as it enters the age

of knowledge in a global economy that will be its future.

Our state also faces the challenge of providing to all peoples, regardless of race, creed, or national origin, the opportunity to participate in a future of prosperity and fulfillment. Here, too, the University must play a critical role, in reaching out to underrepresented minorities and other groups facing inequities in our society and providing them with the opportunity for full participation. This demands a renewed commitment to increase the participation of those racial, ethnic, and cultural groups not adequately represented among our students, faculty, and staff. The University must serve as a model in its effort to build a multicultural, pluralistic community on its campus which achieves new levels of understanding, tolerance, and mutual fulfillment for peoples of diverse backgrounds.

The University will also be a key in addressing the particular needs and concerns of impoverished areas throughout our state. It intends to focus its considerable resources in the social sciences and professions on the problems faced by Michigan's cities. It intends to use its vast resources in basic and applied science to develop and transfer the new technologies capable of economic development and growth to all regions of

the state, from the metropolitan Detroit area to the Upper Peninsula.

The University views itself as a partner with state government, business, industry, and labor in addressing the needs of the State of Michigan. To respond to the challenges of the new era before us, to enhance our capacity to serve the citizens of Michigan, and to meet our responsibilities to play a leadership role in determining our state's future, the University of Michigan seeks an increase of 11% (\$50.2 million) in its FY1988-89 general fund operating resources for its Ann Arbor campus.

2. Michigan's Challenge: The Age of Knowledge

While it is customary to blame the economic ills faced by Michigan--our weakened industries, our closed factories, our depressed cities--on intense international competition, in fact something even more profound is happening. Our state is undergoing a process of dramatic change in the very fabric of its economy, a change being driven in large measure by the rapid discovery and application of new knowledge.

Throughout Michigan and across the nation--indeed, in developed countries

around the world--"knowledge workers" are rapidly becoming the center of gravity of the labor force. We have entered a new age, an *age of knowledge* in a global economy. However, unlike other resources, knowledge is highly mobile; it is not tied to particular geographical regions as other natural resources such as coal, iron, or oil. As a result, the knowledge revolution is happening worldwide, and it is progressing at a very rapid pace.

The handwriting is on the wall. Maintaining Michigan's competitive edge requires attention to our traditional *People* and *ideas* must be our major focus. People are the force that makes our state run. They are the researchers and teachers, the leaders, managers, and decision makers in a knowledge-intensive society. And knowledge will be the primary resource, the tool, which they must use to secure Michigan's future.

What has been Michigan's response to the challenge of change, to the age of knowledge?

Our state has benefited from the wisdom of leaders in both the public and private sectors who recognized the challenge, had the vision to develop a forward looking strategy to respond, and had the courage and the skill to implement this strategy.

Key to this effort was a recognition of the critical role played by Michigan's research universities. While one generally thinks of these institutions in terms of their traditional roles of teaching, research, and service, it has become apparent that they will play a new and even more compelling role in our future: *they will be the primary source of the knowledge and necessary to build the strength and prosperity of our state.*

To facilitate this, Michigan moved forward to develop a unique partnership between state government and its research universities. On their part, Michigan's universities committed themselves to strategically realigning their activities in key areas of major importance to the state. They have moved to attract leading scientists, engineers, and other professionals to staff these programs. And they have developed new mechanisms to facilitate the transfer and application of this knowledge to our state.

In return, state government has committed itself to establishing higher education in general and the state's research universities in particular as its highest priority. Yet it is apparent that more must be done. Perhaps at no previous time in our state's history has there been more widespread recognition

of the importance of Michigan's universities to the future well-being of its citizens. As Michigan prepares to enter the age of knowledge, leaders of government, business, and labor have already joined the public at large in calling for additional investments in our schools and colleges.

3. The Role of the University of Michigan

The University of Michigan has accepted its responsibility to play a similar role in contributing to the prosperity and quality of life in our state. The University is committed to providing to the sons and daughters of Michigan citizens an education equal to the best in the nation. Through its graduates, faculty, and staff, it strives to provide the leadership, knowledge, and educated workforce for business, industry, and government in Michigan, as well as the educated citizenry for effective civic participation and continuing personal development.

As one of the largest research centers in the world, the University provides the knowledge base necessary for the future competitiveness of Michigan industry. In recent years it has initiated important research programs in critical areas of science, engineering, and health care

which are of particular relevance to our state. Far from being a passive partner in such economic development activities, the University has assumed a leadership role.

The University also is committed to directing its resources to address the key social needs of our state. It has focused attention on a broad range of human problems, in an effort to assist those affected by them and to improve the overall well-being of the state.

What has been developed at the University over many years through combined public and private stewardship is a state asset of great value. Its teaching, scholarly, and research talent gives prestige to the state, offers immense educational opportunities, and provides innovative leadership. A reputation built through years of investment makes all this possible. The University is clearly an asset worth cherishing, protecting, and enhancing.

Hence, the combined strategy of the University and the state must be the continued, determined effort to achieve a funding level necessary to maintain our capacity to serve the state. Indeed, Michigan's future prosperity and the quality of life of its citizens require this investment in the University's ability to provide the human capital, the knowledge, the technology, and the

leadership necessary for our state's future.

One must not underestimate the intensity of the competition we face from other institutions and other states. The search for excellence plays a dominant role in higher education, just as it does in the international marketplace. Only the most outstanding institutions can attract the world-class faculty and students and the massive resources necessary for leadership. To be good is not good enough in the age of knowledge. One must strive to be the best!

4. The University of Michigan FY1988-89 Budget Request

We request an increase of 11% (\$50.2 million) in general fund revenue for the University of Michigan for FY1988-89. Table I breaks this total request down into its component parts. As usual, a major portion of the total is comprised of various cost increases that are imposed by outside forces and over which we have little or no control. Another large portion is devoted to the increase in faculty and staff compensation needed to keep up with the strong competitive pressures that we feel every day. The remainder of the request consists of several smaller but vitally important components related to student financial aid, equipment and

renovation, various program initiatives, and our expanding effort to create an even more diverse and pluralistic academic community. Each portion of the request is described in greater detail in the following sections.

5. Conclusion

Throughout its history, there has been a very deep and profound partnership between the people of Michigan and their university, the University of Michigan. Over the years, an extraordinary combination of public and private stewardship on the part of generation after generation of Michigan citizens has enabled the University to develop into a state asset of great value. And during this period, the University has responded time and time again to the needs of Michigan through a vast array of programs in education, research, and public service.

Yet, perhaps at no previous time in our state's history, has there been more widespread recognition of the importance of the University of Michigan to the future well-being of its citizens. As Michigan prepares to enter the age of knowledge, it is clear that the University will play an ever more essential role. Michigan faces a period of dramatic change as it evolves from a resource-intensive to a knowledge-

intensive society. A future characterized by intense international competition and rapid technological change will demand strong investments in the key knowledge resources represented by Michigan's research universities in general and the University of Michigan in particular.

The University of Michigan provides state government with both a vehicle and an extraordinary opportunity for investing in the future prosperity and well-being of our citizens. State government's efforts in recent years to restore adequate support to the University, and to arrest the crippling deterioration of public support experienced in the 1970's and early 1980's have already borne fruit. The University once again has demonstrated the capacity to attract to Michigan the distinguished scientists and engineers, doctors and lawyers, artists and scholars so essential to its future. Its research programs are once again achieving widespread recognition as world leaders. And as the University regains its traditional strength, it has renewed the strong commitment by its students, faculty, and staff to join forces with others in the state to participating actively in Michigan's future.

The renewed investment in higher education of recent years has taken extraordinary vision, courage,

determination on the part of state government, particularly during a period with many other competing demands and pressures. However, it also seems clear that in the knowledge-intensive future that our state faces, we have really have no choice but to sustain and increase these investments. In the long run, it will be our investment in the most important resources of all, in people and ideas, that will determine the future prosperity and well-being of our state. Michigan should not--indeed, it must not--rest until we have secured the strength and capacity of those institutions so critical to our future in the age of knowledge.