

## **Appropriation Testimony**

### **Introduction**

Introduce Gil Whitaker

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

### **My Message**

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

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

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

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

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

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

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

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

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

Let me illustrate with several examples...

**Let me give several examples of just the past few months**

Genetic Medicine

Medical scientists (Francis Collins, James Wilson, Gary Nabel)

Applications of molecular genetics to medicine

- i) Discovery and cloning of gene responsible for cystic fibrosis
- ii) Discovery of the gene responsible for neurofibromatosis...Elephant's Man disease
- iii) How to inject normal genetic material into a cystic fibrosis gene and cure it
- iv) Identified gene responsible for body's inability to handle cholesterol
- v) Within past several weeks have now discovered the gene responsible for diabetes

What an extraordinary contribution!

Note: 40 years ago, Michigan conducted the clinical trials for the Salk Vaccine...

Jonas Salk was a faculty member at UM!

An example of how Michigan research has great impact on our society!

Computer Network

NSFnet, the major computer network, operated by the University in collaboration with IBM and MCI, passed the milestone of linking together over one million users in the U.S. and around the

world...at over 500 sites.

The next stage, the National Research and Education Network or NREN, now stands poised to continue this momentum in the year ahead with strong support building both in the White House and in Congress.

Last fall in Washington, UM, IBM, and MCI are announcing the formation of a new nonprofit corporation to manage this "interstate highway system" for information transfer.

World's most powerful laser

Michigan physicists announced the development of the world's most powerful laser--with power equivalent to 40 times the electrical generating capacity of the U.S.

(I should note that the science of holography was invented at Michigan!)

And, last fall, it was announced that Michigan had been selected as a national center for laser research by the National Science Foundation.

Solar Car Race

ii) A team of over 100 Michigan students won the solar car race from Florida to Michigan, thereby earning the right to represent the United States in the world competition in Australia this fall.

They then went on to finish 3rd in the world...behind factory teams from Switzerland and Honda.

An extraordinary performance...for a group of students.

But, even more to the point, they helped to develop a technology that may have great impact on our society.

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.

Even beyond that:

“The solution of virtually all the problems with which government is concerned: health, education, environment, energy, urban development, international relationships, space, economic competitiveness, and defense and national security, all depend on creating new knowledge---and hence upon the health of America’s research universities” (Bloch)

### **The Signs of Change in Michigan**

Needless to say, these same challenges of pluralism, of globalization, and of this age of knowledge that is our future will pose great challenges and demand similar changes in our state and our nation.

The America of the 20th Century that we have known... was a nation characterized by a rather homogeneous, domestic, industrialized society...

But that is an America of the past.

Our children will inherit a far different nation... a highly pluralistic, knowledge-intensive, world nation that will be the America of the 21th century

The impact of these changes are already painfully apparent to Michigan’s workers and industries.

In fact, it is here in Michigan...in the heart of the “Rust Belt” that the impact of these extraordinary changes are most clearly seen..

We all know that past decade was a period of great difficulty for our state...

Industries of great economic importance to our nation such as steel and automobiles have fallen victim to intense competition from abroad...

Plants have closed...we still have many people chronically unemployed...or under employed...

There are many indicators of the impact of this transition on our state...

Over the past decade, Michigan has slipped badly in several key indicators of quality of life:

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

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

For example, we rank...

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

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

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

In fact, numerous studies over the past several years have suggested that Michigan is seriously underinvesting in its "knowledge infrastructure"...by as much as 30% to 40% relative to other states.

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

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

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

Let's look at the comparisons for a moment:

Among the states, Michigan currently ranks

- i) 33nd in appropriations per student
- ii) 37th in appropriations as a percent of personal income
- iii) 35th in appropriations as a percent of tax revenue

Further, we not only fall significantly below the national average in our support, but it is clear that we are

slipping even farther behind with each passing year:  
In fact, the increases we have provided in  
our support to higher education now rank  
iv) 42nd over the past two years  
v) 45th over the past ten years  
nearly dead-last among the states.

Whether measured in terms of  
state appropriation per student or fraction of our  
tax dollars directed toward higher ed,  
it is clear that in comparison with other states,  
our present level of public support is simply inadequate  
to maintain over the long run a system of higher  
education that is competitive on a national basis.  
We have become consumers of education,  
not investors in the future.

### **A Fork in the Road**

It is clear that our state is in the midst of a profound transition...  
...from an industrial economy based upon the abundance  
of natural resources, unskilled labor, and, to some degree,  
constrained, slowly moving domestic markets...

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

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

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

producing jobs and improving our quality of life.

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

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

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

And become an economic backwater in the century ahead.

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

My central theme is that education, broadly defined, will  
be the pivotal issue in determining which of these two  
alternative futures will be Michigan's...and America's.

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

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...

### **Conclusion**

We recognize that the choices before Michigan are not easy.

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

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

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

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

They had faith in education.

Now it is our generation's turn.

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

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

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

### **Answers to Specific Questions**

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

A: We are deeply gratified that Governor Engler has proposed a 4% budget increase for higher education in the next fiscal year. We are especially mindful that this commitment is made within the context of other pressing state needs and extremely limited resources.

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

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

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

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

A: It is far too early to respond to this, since there are too many uncertainties.

In years' past we have not established firm tuition targets until mid-summer, since we have not known the full nature of the resource situation of the University.

However, since there is both a great deal of concern...and a great deal of confusion...on tuition at public institutions in Michigan, let me make a few observations.

Q: Please comment on funding for facilities openings.

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

We strongly support this policy.

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

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

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

This raises a related issue...which has to do with the



state funding of capital facilities projects themselves. Five years of freeze on capital outlay projects have caused serious damage to our campuses. Urgent projects have been bottled up. Considering the seriously inadequate support of capital facilities on many of our campuses during the 1970s, we simply cannot continue much longer without some mechanism for rebuilding our infrastructure. For example, on UMAA, over the past 20 years we have received state funding for only 2 academic buildings--and that at a 50% participation rate. This amounts to an average of \$3.6 M in state funding for new facilities over the past 20 years... compared to a level of \$25 to \$50 million per year for peer campuses such as UCB, UNC, Illinois,...

The House bill calling for an increase on the bonding cap of the State Building Authority addresses this urgent need in a fiscally responsible manner, and we urge its support.

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

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

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

thereby undercutting long term efforts.

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

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

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

A list of our course offerings will be included in a written response. However a couple of specific comments are appropriate.

One of our most important outreach activities is the UM Biological station at Douglas Lake.

"I'd like to take this opportunity to express to Senators Schwartz, Ehlers, and Pollack my personal thanks for the leadership you provided, along with Senators Geake and DeGrow, in protecting our Biological Station in deliberations before JCOC last week. We believe that the education and research activities conducted at Douglas Lake are unique, and that the preservation of that research facility is essential to the preservation of our natural resources and our environment."

MITN:

Q: Are current undergraduate enrollments optimum?

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

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

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

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

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

of the best high school graduates in the state.

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

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

This raises an important policy issue for the state. As you know, UMAA is currently committed to maintaining an undergraduate enrollment balance of 70% Michigan residents, 30% nonresidents.

Yet, it is also clear that if we are to continue at this level throughout demographic trough of the next decade, we could deplete the pool of outstanding students available for other institutions--and, over time, permanently damage the quality of these institutions.

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

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

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

How will this affect Michigan students?

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

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

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

...a shift from grants to loans.

We are seeking

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

...simplification of financial aid programs...

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

...attention to delivery systems and timing of awards

### **What do the Michigan taxpayers get from their 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  
Including 29,000 undergraduates)  
(80% of them Michigan residents!!!
- 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

Cost/Benefit Implications for Michigan Residents

State spends: \$30 per year per citizen for UM

UM pumps back: \$220 per year per citizen

UM stimulates: \$2,000 per year per citizen

Calc:

1.8 B budget  
\$270,000,000 appropriation  
9 million citizens  
economic multiplier = 10

#### Job Creation

UM generates 120,000 jobs each year through  
direct expenditures

Calc:

\$1.8 B budget  
\$20,000 per job ==> 90,000  
30,000 UM employees

#### Value of Education

Students spend \$200 per day for UM education

Students will earn \$2,000 per day as a result

Calc:

UM B.S. lifetime earnings: \$3,000,000  
HS graduate earnings: \$1,500,000  
720 days for B.S. degree

#### 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
- 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.

#### Health Care

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.

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!

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.

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**Other Issues:**

1. Equity funding:  
"comparable funding for comparable programs" ...  
...requires program by program  
comparisons with peer institutions  
Quite frankly, I believe that simplistic institution  
comparisons are quite meaningless

(To this end, I would note that from this broad perspective, the UM costs across the UM system (\$6,162) are quite comparable to those of other state universities (MSU: \$5,462, MTU: \$5,856, WSU: \$7,557) ...and far less than peers in other states!)

Real problem is inadequate support across system  
...cannot address equity by further cutting institutions

...can only address equity by increase  
..."leveling up", not "leveling down"

Face it, ALL institutions in this state are inadequately funded relative to peers!

In this regard, I would note that it is very important to stress this peer comparison, since these are the institutions we compete against for faculty, federal grants, etc.

Michigan's peers include  
UC, Wisconsin, Illinois, UNC  
Harvard, Stanford, MIT

## 2. Impact of Erosion

Subtle...but measurable

i) Shift in nature of funding...

...Tuition now exceeds State Ap

...Fed now exceeds State Ap

ii) Loss in confidence

...difficulty in recruiting faculty.

...beginning to lose faculty to states like California

iii) Erosion in ratings

...UM only state institution in USN&WR

...dropped from 6th to 20th

...professional school drop

Why does it matter to Michigan whether its institutions rank at the top? Because they set the pace for the quality of everything else in this state...

...K-12 education

...health care

...financial activities

...industrial base  
...professional infrastructure  
...quality of life

And most important of all, our capacity  
to attract and retrain the outstanding  
people we need to be competitive in  
a global marketplace!!!

Tragedy...

It takes decades to build a reputation...  
...and once it is lost, will be very  
hard to regain (as witnessed by  
Texas, etc.)

3. Costs of Education

Whitaker Task Force

4. Library and Info Tech

Need a strategy of many strands...

Institutions must have flexibility to address these

...whether through consortia

...special relations with vendors

The worst thing you can do to our institutions  
during a period of financial stress is  
to constrain our options, our capacity to  
manage our affairs.

5. Do you believe the UM has been discriminated  
against during the past several years:

i) UMAA has ranked dead-last in magnitude  
of appropriation increase in 5 of last 6  
years...and has been at the system average  
in only one year of the last ten.

in one one year

dead-last

ii) In only 4 years of the last 10 has our  
increase in appropriations been above  
the rate of inflation (HEPI)--hence, in  
effect, we have had our real appropriation  
cut in 6 of the last 10 years.

iii) Over the past decade, UMAA ranks last,  
among state universities, 15th among 15,  
in its compound growth rate in state  
appropriations

iv) Over the past 20 years, UMAA ranks 14th,



next to last, in state capital outlay per FYES.

- v) To be in last place, year after year, decade after decade, is bad enough, but when you realize this is last place in a state that now has fallen to the bottom of the nation in its public support of higher education, it is easy to understand why we are so concerned!!!

### **Tuition Myths and Realities**

Myth 1: Tuition levels at most universities...

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

Reality:

Hence, in real terms, tuition levels at the University--

and at most other public 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 Calvin... tuitions run \$14,000-\$16,000 per year).

There are other interesting comparisons.

It is now estimated that 60 percent to 70 percent of college-age students

own an automobile. Well, the cost of a degree at a public university

in this state is less than the cost of that car.

Furthermore, this investment in a college education will be paid off

in only a couple of years following graduation because of the very high earning capacity of a college graduate

relative to those without college degrees.

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

by simply noting percentage increases.

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

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

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

First, it should be noted that the costs of a UM education to a Michigan

resident have been rising far less rapidly than disposable income:

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

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

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

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

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

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

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

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

One of the frustrating facts of life about modern economics is that the value of the dollar is not constant; it is continually eroding through the effects of inflation.

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

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

First, one should note that while tuition has been increasing somewhat

faster than the CPI, it has NOT been increasing faster than either the per capita income or the inflation rate characterizing

the costs of higher education (HEPI):

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

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

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

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

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

At a leading university such as the University of Michigan we estimate that we invest roughly \$20,000 per year, per undergraduate student

to create the learning environment necessary to prepare our graduates for the 21st century.

Since our present 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.