

President's Club-Spring-90

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 an 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.

The Challenge of Change

At our universities we are preparing to meet the challenges of the 21st century-- an ever-accelerating pace of change in our society, in our state, in our nation, in our world.

As we become ever more diverse, more pluralistic as a people. Indeed, almost 90% of the new entrants into our workforce during the 1990s will be people of color, women, or immigrants.

As our economy and commerce are become ever more interdependent with other nations as the United States becomes a world nation, a member of the global community -- as this past year's events in China, Russia, and Eastern Europe make all too apparent.

And as we rapidly evolve 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.

Michigan at the Crossroads

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 students 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. Indeed, Michigan's per capita income has now dropped below the national average... Michigan has dropped to 26th in per capita income--below the national average. We have slipped to the bottom in ...in our public support of higher education ...in the fraction of tax dollars we get back from Washington ...in the burdensome nature of our tax system ...in the climate we provide for small business development. We are still number one...or close to it...but in other areas ...but in unemployment ...in mortality from serious disease ...in high school dropouts ...in the fraction of our citizens we lock up in jail. 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...
And this is a particularly important point...
Because unlike other tax support for public
services such as health care, welfare,
corrections,
Tax support of education must be regarded as
an investment rather than an expenditure.
Let me illustrate by taking the University of Michigan as
an example.

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.

The Dangers of Underinvestment

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

...education in general
...higher education in particular
...and great research universities
such as the University of Michigan
and its sister institutions
most specifically of all...

are rapidly becoming the key determinants of the strength and prosperity of our state.

The good news is that Michigan is well-positioned from this perspective, since over the decades we have built not only one of the finest systems of public higher education in the world, but we now possess several of the world's leading research universities.

The bad news is that a lack of public understanding and support threatens to permanently cripple Michigan's universities.

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.

Let me explain...

1. 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.
2. The challenges faced by K-12 education are apparent. Unfortunately, what is also apparent is our inability to agree on actions needed to improve quality of our schools and achieve adequate and equitable 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) 33rd in appropriations per student
- ii) 37th in appropriations as a percent of personal income
- iii) 35th in appropriations as a percent of tax revenue

Further, we not only fall significantly below the national average in our support, but it is clear that we are slipping even farther behind with each passing year: In fact, the increases we have provided in our support to higher education now rank

- iv) 42nd over the past two years
- v) 45th over the past ten years

nearly dead-last among the states.

More specifically, Michigan's appropriations have fallen over \$458 per student below the national average.

- i) Just to get us to the national average would require an increase of \$150 M per year in our support of higher education.
- ii) To take us to the top-third would be \$250 M
- iii) To return us to our historic position in the top 10 of the states would require \$400 M.

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 for engineers, scientists and other professionals, and for the creative ideas that will fuel economic growth and create new jobs.

Yet Michigan has now fallen to the bottom of the 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.

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.

We cannot continue to address symptoms of our problems of the moment without addressing their causes.

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

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.

What has happened to our priorities?

What is wrong here???

Who is to blame???

Our schools and colleges???

Certainly they must take stronger actions to improve quality...and strive harder to operate in a more cost-effective manner...

But their present situation reflects as much as anything else our own personal priorities...

...as parents

...as volunteers...

...as citizens and voters...

What about our elected public officials???

It is certainly not their fault!!

It is clear that our elected leaders, whether in Washington or Lansing or our local communities...

Would like nothing better than to make education their highest priority.

To become

...the Education Governor

...or the Education Party

...or the Education President

They understand clearly the importance of investing in our human resources, and they are searching valiantly for creative ways to improve the quality of our schools and provide adequate and equitable financial support.

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 generally 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!
We have become consumers of education, not investors in the future.

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.

The Challenge to Us All...

Michigan Challenges

Today the State of Michigan faces serious challenges that will clearly determine its future prosperity and well being...

the challenge of pluralism...

the challenge of participation in a global community...

the challenge of the Age of Knowledge

the challenge of change itself...

As we approach a new century, our state--just as our nation--is undergoing a profound and difficult transition to a new economic order...

Our fabulously prosperous industrial economy...

an economy that allowed us to build some of the world's great institutions---including some of its finest universities--

But that economy is rapidly disappearing...

...and our challenge for the next decade is to take the steps necessary to build a new knowledge-based economy which will be competitive in a world marketplace.

Let there be no mistake about it...this will not be an easy transition...and the outcome is still very much in doubt.

I believe that we can meet the challenge of the knowledge-based, global society that is our future.

But it is also clear that to do so will require sacrifices on all of our parts...

It will take renewed commitment to that most fundamental of all characteristics in the new economic order: quality

And it will take renewed investment in that most critical resource for our future--our system of public education.

The Role of Alumni

While it is clear that we are entering a very critical period in our state's history when higher education will increasingly be a key factor in our prosperity and social well-being,

It is also clear that both the quality of and access to higher education in Michigan is a subject of great concern.

Without your direct intervention...as alumni, a taxpayers and voters, and as citizens with a stake in Michigan's future

Further, your university, the University of Michigan, could sustain serious and permanent damage in the years ahead if we do not reorder the priorities of this state...

A specific request...

In the months ahead, you will have many opportunities to interact with candidates for public office in this State.

Many of you will attend fund-raisers, others will become directly involved with the political process.

As you do so, let me suggest that ask each of these candidates what they intend to do to address the crisis facing public higher education in Michigan. And let me also suggest that you take their answer into careful consideration as you determine where to direct your support.

Final Comments

For generations, the people of Michigan sacrificed so that their children could have a better life. They had faith in education. We must rekindle that faith and that commitment to the future today. It is now our generation's turn to demonstrate the same responsible stewardship and concern. We must care for our children's future as much as we attempt to our present needs and desires.