

**House Appropriations
Higher Education Subcommittee Hearing
Eastern Michigan University
Friday, February 27, 2009**

Good morning Chair Bauer and members of the subcommittee, and thank you for the opportunity to speak to you today at Eastern Michigan University.

Let me begin my formal remarks by extending congratulations to Representative Bauer on her newly assigned chairmanship of the House Appropriations Subcommittee on Higher Education.

We look forward to ongoing discussions with you and other members of the subcommittee about Oakland University and the future of higher education in Michigan.

I also want to extend best wishes and much success to my colleague, Central Michigan University President Mike Rao, in his new position as President of Virginia Commonwealth University. It has been a pleasure working with Mike during his tenure at CMU.

As a state university president who is extremely proud of the higher education institution that I represent, I can assure you that we are accomplishing major milestones everyday and in every way.

More importantly, let me tell you how.

We are nimble, efficient, creative and resilient and are always looking at ways to excel despite limited resources. Oakland University has taken a number of measures over the past 10 years to control costs without compromising the quality of an OU education. We have greatly reduced administrative and overhead costs by targeting resources to those programs, policies and initiatives that directly benefit our students, state and society.

A review of FY 2007 state HEIDI data reveals that Oakland University ranks 13th among the 15 state universities in General Fund Expenditure per FYES. At a per FYES expenditure level of \$11,014, Oakland is well below the statewide average (\$14,969). Clearly we are managing our overhead costs very well, most notably during a period of sustained enrollment growth. A detailed summary of Oakland University's cost containment measures is outlined on the green sheet in your information packet.

In fact, being lean was the impetus behind the creation of the Pawley Learning Institute on the campus of Oakland University. The lean learning concept incorporates tools, techniques and management philosophies to streamline processes and eliminate waste, while providing value. A few noteworthy

accomplishments of the Institute include wholesale redesign of the staff hiring, payroll and student advising processes.

Delivering a high quality, affordable education despite economic, demographic and other uncertainties is our number one priority. As confirmed by the recent Delta Cost Project on "Trends in College Spending," OU is one of seven research universities in Michigan, yet we have the third lowest administrative costs of the 15 public universities. This study also confirms our efficiency.

And, despite being one of the fastest growing universities in Michigan over the last 12 years, our state appropriations per full time equated student is the second lowest. The percentage of our general operating revenues coming from the state has rapidly declined from 56% in 1992, to 44% in 2002, and to 27% in 2009. At the same time, Oakland has consistently kept its tuition rates below the average of the 15 public universities, despite the decline in state revenues and relatively low tuition. From FY 2002 to FY 2009, OU's financial aid budget increased 150%.

To accentuate our prudent management of student costs, three years ago Oakland University eliminated all fees; we no longer have application fees, orientation fees, course fees, technology fees, health fees, graduation fees, or any other kind of fees. This enables students and parents to very easily understand the cost of their Oakland University education.

Recently, I announced a policy to guarantee that the university would meet all unmet needs of those students who experience a major change or hardship in their ability to pay for an Oakland University education. We also increased by 34% the amount of financial aid for freshmen starting in the fall of 2009 so that those who have demonstrated need as indicated by the federal government will not have to take out any loans to cover their cost of tuition. A detail summary about this initiative is included in your packet along with a copy of an article that ran in Sunday's Detroit Free Press.

The objective of all these initiatives, carefully managing tuition rates, eliminating fees, becoming more efficient and lean, and providing substantially higher financial aid, was to ensure a high quality Oakland University education remains affordable.

On the strategic front, we are now in the midst of opening the first primarily privately funded medical school in Michigan's history with our partner Beaumont Hospitals. This partnership was made possible by the university's outstanding reputation in the sciences which is indicative of the high percentage of pre-med students (79%) accepted into medical school and Beaumont's impeccable national reputation for being one of the nation's best teaching hospitals.

The good news is we have clearly demonstrated our ability to deliver both quality and affordability. Still, we have some concerns.

First and foremost, the continual erosion in state support for public universities is making it increasingly difficult for us to continue to accomplish all that we are capable of.

We are also concerned about the trend of creating a two tier post-secondary higher education system where limited state resources are focused on one sector (community colleges) while eroding support for the other (state universities).

This trend runs the risk of inadvertently limiting options for some by causing the price of a public four-year and beyond degree to rise disproportionately and out of the reach of all, but the most well off Michigan residents as the percentage of state support dwindles.

Oakland University has long standing relationships with community colleges, especially Macomb and Oakland. As an example of OU's commitment to students and to partnering with community colleges, OU with MCC developed a dual admissions program --- Macomb to Oakland (M2O) which admits students to both MCC and OU creating a clear path for students to complete both an associate's and a bachelor's degree.

Oakland University is extremely proud of our relationships and partnerships with local school districts and community colleges. Many of the students who attend these schools eventually transfer to a four year university, most often Oakland University. If tuition costs continue to rise disproportionately at public universities due to a lack of adequate state support, these students could find themselves priced out of the market with limited options.

We commend state officials for recognizing the important role of county community colleges by holding them "harmless" in the FY 2010 budget proposal.

Yet we were taken aback that similar protection was not given to state universities.

The Michigan Constitution specifically recognizes the broad reaching impact and role of state universities to Michigan's future.

I believe we send the wrong message by making unprecedented policy and budget decisions suggesting otherwise. For example, the FY 2009 2% state increase to community colleges while the 15 public universities received only 1% was unprecedented and sends a message that one is more important and valuable than the other. I do not think this is the message that we want to send to prospective students or Michigan taxpayers.

Funding of public universities has always been recognized as a state budget priority given that we depend almost solely on state appropriations and tuition revenues for our base operations.

Even so, we are not advocating for the community college budget to be cut along with higher education, or replaced with a one-time funding stream.

What we do want is for universities to also be “held harmless” in their FY 2009-2010 base appropriations.

As education advocates, we support every effort to improve quality and affordability at all levels from K-12, community colleges, bachelors, masters and doctorate degrees, public and private.

Likewise, we support initiatives such as nursing and King/Chavez/Parks scholarships, and the Michigan Promise and Tuition Grants. Yet we increasingly find ourselves doing so at our own peril, as funding for these programs also comes from the state's general fund/general purpose budget, the same funding source that allows state universities to mitigate tuition increases for all students.

Last month, public universities were proposed to receive a 3% reduction in state appropriations along with a request to not increase tuition at a time when needs and demands have never been greater. Try to explain this to students and parents who expect top notch facilities with state-of-the-art technology, manageable class sizes and highly qualified faculty. These expectations can not be met with declining revenue streams. This puts us in an unprecedented dilemma or quagmire despite all of our best intentions.

Another area of concern involves the future funding of capital outlay or building projects on state university campuses.

Despite being one of the fastest growing universities in Michigan over the last 12 years, OU's building square footage per student is the lowest in the state. This is why state assistance for capital outlay projects is so important to us.

There was a time, not so long ago, when the state covered 100% of the cost of new construction projects on state university campuses. Over the years the state contribution was reduced to 75% to a \$40 million cap.

We realize that these changes are indicative of the tremendous challenges facing the state and are very appreciative of last year's decision to authorize state funding for a Human Health building on Oakland University's campus. Once completed, this new facility will house the School of Nursing and the School of Health Sciences, our two fastest growing schools.

Our FY 2009-2010 top priority state capital outlay request is a \$71.7 million Engineering Center.

Upon identification of a funding source, Oakland University is prepared to move forward with a \$48 million alternative energy project, a combined biomass and wind energy plant, making Oakland the first university to make such wide and cost-efficient use of alternative and renewable energy sources.

A biomass wood chip burning heating plant would save Oakland 65 percent in annual fuel costs. An accompanying windmill energy plant would generate

approximately 20 percent of the university's electrical needs, and over a short period of time, the return on investment will be substantial.

Both of these alternative energy projects are “shovel-ready” and are two of five projects we submitted to the Administration for possible funding consideration under the infrastructure component of the recently passed federal stimulus package. A summary of these projects is included in your packet.

It is unclear to us if any such projects are eligible for direct funding under the Recovery and Investment Act of 2009. However, it appears as though the possibility does exist for funding using surplus, discretionary federal dollars. If so, it is our hope that the projects submitted by Oakland University to the Governor’s Office will be given serious consideration based on their scope, size and our continuous enrollment growth.

Having said all of this, we are keenly aware that these and other decisions are primarily driven by the state and nations weakened economic conditions. Times are indeed bad, no question about it, and we, like you, our students and your constituents feel the pain. At the same time, we cannot lose site of the vital role of universities in taking us where we need to be if we truly hope to recover for generations to come.

This is why we are so pleased that stipulations in the State Fiscal Stabilization Fund of the American Recovery and Investment Act of 2009 ensures that FY 2009-10 for K-12 school districts, universities and community colleges are not reduced below the FY 2008-2009 levels. Our only concern here is this is one-time funding.

We urge this subcommittee, the Administration and Michigan Legislature to find another, more permanent base revenue stream that will provide state universities a similar protection as community colleges.

Although I do not know what the options are, if any, perhaps base parity for universities can be accomplished through general fund relief from the enhanced Medicaid match rate or other areas.

For years Michigan's public universities have been revered for delivering a high quality, affordable education to all qualified Michigan residents who desired one. Even so, many Michigan high school graduates chose to take a different path to earning decent wages with benefits that allowed them to own a home, buy a car and raise a family. Life was good, which is why the state has always lagged the nation in the percentage of residents who earn a four-year degree and beyond.

Michigan is still below the average in the number of college graduates with at least a four-year degree and the state's contribution to an affordable, quality higher education has been greatly diminished. We stand at a crossroad.

Today the State of Michigan, nation and world has changed dramatically.

The paths we take are crucial to Michigan's future.

In order to survive and thrive, state elected officials and university administrators must work together to once again capture and cherish the reputation of Michigan's universities. Short-term solutions are often short lived and contingent upon variables that none of us can control. Educating people for life is not.

So, what is Oakland University to me?

It's the people...the students, professors, researchers, trustees, alumni, administration, staff, and supporters.

Quality.

Affordability.

Michigan's future.

That's Oakland University to me.

I urge members of this subcommittee to acknowledge the vital role of universities in creating a lasting legacy that we can all be proud of by doing everything you can to stop the erosion of state support and ever increasing punitive restraints that are counter-productive.

The reality is, state universities and the students we serve, many of whom are your constituents, need the state and the state needs universities to make Michigan more competitive and it's future brighter

Thank you for listening, and I am happy to answer your questions.