

Senate Appropriations
Subcommittee on Higher Education
Friday, February 19, 2010
Saginaw Valley State University
Saginaw, Michigan
DRAFT REMARKS

Opening Statement

- Good morning Chairman Stamas and other members of the subcommittee and thank you for the opportunity to speak to you today at Saginaw Valley State University.
- I am Gary Russi, president of Oakland University.
- Before beginning my formal remarks, I want to take a moment to acknowledge the contributions and collective years of service that term-limited members of this subcommittee have given to their constituents and the state during these very challenging and difficult times.
- Although you will soon leave the senate, my hope is that the governor, you, and your colleagues, in both Houses, will leave behind a blueprint for higher education that will once again make Michigan one of the best states in the nation for post-secondary education.

University Update

- Two weeks ago Governor Granholm, in her final State of the State address, declared Michigan as a “State in Transition.”
- Oakland University is also in a state of transition and has been for many years.
- Some of the changes made were driven by necessity; others by a vision and strategic decision to take a not so well known state university that was approaching 50 years of existence into the next century.
- We identified several core principles to guide our strategic planning efforts and priorities.
- These principles include improving the overall quality and value of an Oakland University degree by investing in the academic core and student life.
- The results have been nothing short of phenomenal and include the following top 10 transitional changes all due to the commitment and dedication of talented faculty and staff.
- Growing from 13,600 students in 1995 to nearly 19,000 students today;
- An almost 65% increase in externally funded research over that same period;

- Two research INCubators;
- A dramatic increase in partnerships with businesses, communities and other educational institutions in the region and state, a few of which I will describe in more detail shortly;
- 58 new academic degree programs;
- Going from being classified by the Carnegie Foundation as a “comprehensive university” in 1995 to one of three public intensive “doctoral/research universities” in Michigan;
- A nearly 300% increase in campus life organizations (64 vs. 176);
- The launch of Oakland University’s first comprehensive capital campaign, which raised more than its goal of \$110 million, and was completed one year ahead of schedule;
- A successful transition from NCAA Division II to Division I athletics (no football team yet);
- And, an innovative and ambitious community college outreach initiative that streamlines the educational process. These partnerships provide residents in Macomb, Oakland and St. Clair counties the opportunity to participate in OU academic programs by completing

instruction for their bachelor's, master's or doctorate degree at the community colleges where they live or work.

- While all of these milestones are noteworthy, the foundation for and impetus behind many of them were established during a time when the state was willing and able to better fund higher education.
- The disinvestment in higher education in Michigan has been dramatic in the last nine years.
- Michigan now ranks at the bottom among the 50 states in the percentage increase in university funding since the Year 2000; and Oakland University is not immune to the precipitous decline in state support.
- Times have indeed changed.
- In 1996, 47% of our general operating funds came from state revenues; only 26% does today.
- That same year, nearly 15 years ago, the university received \$4,088 per FYES full-time student.
- The amount from the state in the current fiscal year is \$3,465.
- Higher than desired tuition increases are the most obvious outcome of the unsustainable decline in state funding for higher education.

- But there is much more to it than that.
- Universities must seek innovative ways to cut operating costs, increase access and affordability while simultaneously maintaining and enhancing academic quality and integrity.
- Although Oakland has done an outstanding job in all these regards, I am becoming increasingly concerned about what the future holds for our institutions and the students we serve.
- I would now like to share what we have implemented to address the most immediate crisis, which would have been more problematic if we did not receive the one-time federal stimulus funds.

FY 2010 Stimulus Funds

- Oakland is spending the ARRA funds in FY2010 to supplement funding of our financial aid strategy which supports student access and retention during this difficult economy.
- When we recognized the likelihood of the Promise Grant not being funded, Oakland created a new financial aid program, the “100% Tuition Guarantee”, to help our students by making it possible for them to attend Oakland without needing loans.

- At the same time we established a “Tuition Assistance Fund” to meet the needs of students who had unexpected financial hardships and a “Summer Corps Program” to make it possible for more departments to employ students this past summer.
- ARRA funding helped make these programs feasible, softening the financial impact on students due to the loss of the Promise Grant.
- Our financial aid strategy included the infusion of \$4.3 million into the FY2010 aid budget, a 29% budget increase, to place financial assistance into the hands of significantly more students this year.
- This strategy resulted in 953 additional students, both need-based and merit-based, benefiting from institutional aid this year compared to last fiscal year (in FY2009 2,642 students received an average institutional award of approximately \$3,900, compared to FY2010 when 3,595 students received an average institutional award of approximately \$3,778).
- Moreover, our strategy had the effect of decreasing the cost of attendance for our need-based students by combining their increased institutional aid with their Pell grants.
- The financial aid strategies that we put in place this year help to offset the out-of-pocket cost of attendance and retention.

- These efforts would have not been possible without ARRA funds and cannot be sustained if the university's budget is cut in FY 2011.

FY 2010 Tuition

- Our FY2010 budget included tuition increases of 9% undergraduate and 3% graduate.
- Nearly two-thirds of this increase was budgeted to directly support students; \$4.3 million in additional financial aid and \$2.4 million in new or improved academic programs (e.g. library collections, new programs including; Electrical and Computer Engineering, Writing and Rhetoric, Cinema Studies, Actuarial Science and new graduate certificate programs).
- The remaining budgeted items also support students, albeit indirectly; faculty/staff compensation (adjustments to fringe benefits composite rates for negotiated collective bargaining agreements, with flat salaries/wages) and other miscellaneous operating needs (e.g. utilities, insurance, software licenses, etc.).
- Even with an above average tuition increase for FY2010, Oakland's "all-in" price remains \$500 below the state average and ranks ninth overall of the fifteen public universities.

- Remember OU has a very simple, no fees pricing strategy.
- With below average tuition rates and below average state appropriations per student, Oakland has had to maintain a lean and efficient operation, which is evidenced by having the lowest general fund building square footage per student (per HEIDI), third lowest staff per 1,000 students (per Delta Cost Project), second highest student to faculty ratio (per HEIDI), and third lowest general fund expenditures per student (per HEIDI) all with growing enrollment for thirteen straight years.

FY 2011 Higher Education Executive Budget Proposals

- Although we applaud the Governor's FY 2011 higher education budget recommendation to replace one-time federal stimulus funds with GF/GP dollars, it is unclear where the funds will come from.
- What we do know is that this is a very important first step to move higher education funding in Michigan back in the right direction and we urge legislative support for this proposal.
- Still, a revenue stream must be identified and passed to prevent further erosion and complications at state institutions of higher education.

- We are generally supportive of restructuring the Michigan Promise as an income tax credit for graduates who stay in Michigan.
- An overwhelming number of our students are from the state and stay in the area after graduation, so they would be major beneficiaries if this proposal is enacted.
- One concern is that this approach does not address student financial aid at the point of need.
- Another concern might be the impact the tax credit will have on future revenues.
- However, if enacted, this proposal could be an economic stimulus by reducing the “brain drain” and encouraging more young people to stay in Michigan.

FY 2011 Capital Outlay Budget

- One item we do support, but was not included in the governor’s recommendation, is capital outlay projects for state colleges and universities.
- Authorization of capital outlay projects is one way to support students and Michigan's future both short term through job creation and long term by enhancing the environment our students are learning in.

- Oakland University's FY 2010-2011 top priority state capital outlay request is a \$71.7 million Engineering Center.

Closing Comments on State Budget

- Although not much can be done about the prolonged disinvestment in higher education that has occurred in the last seven years, we can and must stop the bleeding.
- I urge this subcommittee to take the lead for higher education.
- As members, you know more than most and are more likely to command the respect and support of your legislative colleagues to make Michigan a national leader in building a better future.
- That's a legacy we can all be proud of.
- I now would like to spend a few moments to update you on the status of a major initiative.

Medical School Update

- On Monday, February 1, we received word that the Liaison Committee for Medical Education (LCME) has

accepted our application and granted preliminary accreditation of the new medical school.

- This is tremendous news for Oakland University, Beaumont Hospital, our faculty, students and the entire state of Michigan.
- We are still awaiting approval from the North Central Association (NCA), which is expected to come in April of this year.
- After that, we can begin the process of recruiting students for the charter class of the Oakland University William Beaumont School of Medicine, which will begin in fall 2011.
- We are now perched on the precipice of a new era for Oakland University.
- This privately funded medical school that does not use any general funds for its operating budget, vaults us into a new echelon of institutions of higher learning.
- Along with the great programs we have always offered, the medical school brings to the region a new professional school that will provide students with the opportunity to make their mark on society through the modern science of medicine.

- In the years ahead, we will graduate physicians who will truly make a difference in the lives of countless Michigan citizens.
- Not only will the school provide new medical education opportunities for students, it will also help to create jobs and infuse the region's economy with millions of dollars.
- The School of Medicine will complement and enhance the existing strengths of our academic programs in the College and professional schools.
- It will enhance medical care throughout the region by ensuring a future supply of physicians, advancing medical research and attracting top-level medical leaders and students from around the country.
- Again, thank you for your years of public service and the opportunity to testify before you today about Oakland University, the FY 2011 higher education budget, and our new medical school.