

**Senate Appropriations  
Higher Education Subcommittee Hearing  
Northwood University  
Monday, May 4, 2009**

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**Testimony of Gary D. Russi  
president, Oakland University**

Good morning Chairman Stamas and other members of the subcommittee, and thank you for the opportunity to speak to you today.

Joining me is one of our students, Tawnee Milko, of Oakland Township. Ms. Milko is one of two student liaisons to the Oakland University Board of Trustees and an Honors College Council representative. I invited her to be here to share her experiences at Oakland University and thoughts about higher education with members of the subcommittee.

As a state university president who is extremely proud of the institution that I represent, I can assure you that we are accomplishing major milestones everyday and in every way. Affordability, accessibility, and accountability, are examples of those areas receiving our greatest attention.

We are also resilient and resourceful and are always looking for ways to maximize limited resources without sacrificing quality in our quest to achieve the very best outcomes for our students, faculty and staff.

Oakland University has taken a number of measures over the last 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, the state and society. A detailed summary of Oakland University's cost containment measures is outlined on the green sheet in your information packets.

Although these and related cost-saving measures have long been a key component of our operating strategy, they have been accelerated over the years in response to the precipitous decline in state support during the sustained economic downturn.

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. A review of FY 2007 state HEIDI data reveals that Oakland ranks 13<sup>th</sup> among the 15 state universities in General Fund Expenditure per FYES.

Oakland University's FY 2008-2009 state appropriation per full-time equivalent student is \$3,585, significantly below the statewide average of \$5,792. The university's 2008-2009 tuition for full-time resident undergraduates is \$8,427, also below the average.

OU eliminated all non-mandatory fees effective summer semester 2008 to simplify and streamline the billing and financial aid process, thus making it easier for students and their families. The university's financial aid budget increased by 150% from FY 2002 to FY 2009.

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. In addition, we have 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 also included in your packet.

Clearly we are being efficient and managing our resources and overhead costs very well. In fact, being lean was the impetus behind the creation of the Pawley Lean 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.

And, 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 and state appropriations per student is the second lowest. This is why state assistance for capital outlay projects is so important to us. We are very appreciative of the Governor and Legislature's decision to authorize state funding for a Human Health building on Oakland University's campus. Thank you very much for your support.

Our plan is to submit program and schematic planning for the new building to DMB over the summer. 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. 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.

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 a few concerns.

First and foremost, the continual erosion in state support for higher education is making it increasingly difficult for us to continue to accomplish all that we are capable of. We are concerned about the long-term impact that this erosion, coupled with tuition freezes and other mandates, will have on the quality of education and services rendered at our fine institutions of higher education.

This is why we are so pleased that the House did not tie-bar receiving one-time Federal stimulus funds from the American Recovery and Reinvestment Act (Recovery Act) to a tuition freeze. Doing so would essentially eliminate any new operating revenues for the next two years. Included in your packet are several newspaper editorials on why mandating tuition rates is not good public policy.

We are also pleased that the House restored funding for the King-Chavez-Parks Initiative and similar programs created to increase access to and affordability at Michigan colleges and universities. A detailed explanation as to why we strongly support this program is included in my response to the questions posed by the chairman and other members of the subcommittee.

Conversely, we are disappointed that the Governor and House deleted legislative intent boilerplate language in recognition of a goal to provide a minimum per student funding level of \$3,775. In 1997, the Legislature passed and the Governor signed HB 4309, the FY 1997-1998 higher education appropriations bill that included the following floor funding language:

Sec. 409. The amounts included in section 101 for public universities to establish a per-student funding floor of \$4,290.00 shall be recognized as a permanent part of base funding and the concept of maintaining reasonable per-student floor funding shall be continued into future fiscal years.

It is the legislative goal to achieve a \$4,500.00 per-student funding floor for master level universities and a \$6,000.00 per-student funding floor for doctoral level universities. Subsequent bills contained similar language. Keep in mind that the state has never been in the position, even during relatively robust economic times, to fully fund universities at these minimal levels.

Even so, almost everyone agreed that the least the state could do is acknowledge the steep decline in per student funding, especially at universities with growing enrollment. Floor funding language recognizes a desire; it is not and has never been a mandate. For this reason, we urge this subcommittee and Senate to restore floor funding language in H.B. 4441.

That said, 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 and your constituents feel the pain. At the same time, we cannot lose sight of the vital role of universities in taking Michigan where it needs to be if we truly hope to recover for generations to come.

This is why we are very pleased that stipulations in the "maintenance of effort" component in the State Fiscal Stabilization Fund of the Recovery Act requires states to use stimulus money to restore funding for education no lower than their 2006 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 for universities in future years. 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.

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's future brighter than it is today.

Thank you for listening, and I am happy to answer your questions as we seek to once again make Michigan a great place to live, work, and get an outstanding education that is second to none.

We most certainly can if we all work together.

It is now my pleasure to invite Tawnee Milko to address the subcommittee.