

2004 State of the Public Universities Address

*November 8, 2004, at Detroit Economic Club Luncheon at Cobo Hall*

### **The Michigan 15 as a Force for Economic Renewal**

Delivered by Gary Russi, president of Oakland University and chair of the [Presidents Council of State Universities of Michigan](#)

Good afternoon. Thank you, President Reid, for that very kind introduction. On behalf of all the presidents and chancellors of Michigan's 15 public universities, our dedicated faculty and staff, and the more than quarter million students who enroll in our universities, I want to extend our appreciation to the Detroit Economic Club for today's event. There is no better venue to share our collective message of how our public universities are serving as a force for economic renewal for the great state of Michigan.

I am pleased to report today on the condition and contributions of Michigan's 15 four-year public universities. The "Michigan 15" are public universities, which makes every Michigan citizen an investor and a shareholder in these vital public institutions. In essence then, this address today is tantamount to an annual report to you – the shareholders of Michigan.

Let me go one step further with that analogy and say that the Michigan 15 are Michigan's most important public investment. Our state's economic security, civic fabric and social progress all depend on the state's public universities and their graduates. If the state fails to invest, or if those of us charged with overseeing these universities fail to use that investment wisely, our state's future will be dim.

With that in mind, our university leaders and governing board members have been guided by a set of questions:

Are our universities preparing a workforce that meets the state's needs?

Are our universities capitalizing on research and development opportunities?

Do we provide opportunity for all Michigan citizens to participate in higher education?

Are our universities operating efficiently?

Let's answer those questions here today.

Let me begin by stating that we believe our institutions of higher education are well positioned to meet these statewide objectives, but that we face critical decisions as we go forward. Simply put, Michigan's future relies on its universities. It is obvious to every one of you who are playing a role in Michigan's transition from a brawn to a brain economy, an economy that is forever shedding low-skill high paying jobs for those that are both high-skill and high paying.

Governor Jennifer Granholm herself has said, "Our higher education system is the jet fuel that propels our economy." We couldn't agree more with her.

We are now in an era that demands more mind power from our workforce, an era where a higher level of skill and knowledge – and in many cases, a college degree – is the minimum career-

advancement credential and passport required for entry into the middle class. Individuals with just a high school diploma are more than 40 percent more likely to find themselves standing in an unemployment line compared to those who have earned a bachelor's degree. The earnings gap between high school and college degree completers is equally telling, with those with bachelors degrees likely to earn on average upwards of 60 percent more annually, adding up to well over a million dollars more over the course of a lifetime, and the earnings gap is growing. States that fail to provide the workforce for these brainpower jobs are going to fall behind.

Just imagine what Michigan would be like if it weren't for the contributions to our economy, our communities, our society being made this very day by more than one million living alumni from our public universities who reside in Michigan.

What would Detroit be like if Wayne State University graduate Peter Karmanos hadn't founded Compuware and set such a strong example of entrepreneurial and philanthropic leadership? What would Michigan be like without the incredible contributions to K-12 and postsecondary education made by Michigan State University graduate and SunAmerica CEO Eli Broad? And how thankful we should be for our next generation of business leaders, many whom will benefit from the \$100 million gift recently provided by Stephen Ross, chairman of Related Companies, to his alma mater, the University of Michigan, and its business school. And think about the extra energy we all have thanks to the entrepreneurial zest of Northern Michigan University alumnus and founder of Starbucks Coffee, Howard Schultz. His business alone has probably singularly increased the productivity of Michigan's workforce!

The development of a highly skilled workforce is only one way in which your public universities serve as a powerful force for economic renewal. Our universities fuel the Michigan economy through the commercialization of research conducted on our campuses. Accelerating the transfer of innovative new technologies discovered in our laboratories to the private sector continues to be an imperative for our universities. We are building upon an already impressive national reputation for bringing licenses and patents to the marketplace and for business start-ups and new job creation. The transfer of knowledge from our university laboratories to Main Street was manifested this past year through the start-up of 30 new businesses, 560 new invention disclosures, and 137 new licensing agreements that generated some \$40 million in revenue.

And Michigan is among the nation's leading states in government and private-sector sponsored R & D expenditures. Based on the United States Department of Commerce's multiplier of 36 jobs for every \$1 million in research and development spending, the \$1.3 billion in research conducted annually by our public universities represents almost 50,000 well-paying jobs in the state's knowledge-based industries.

We have entered a new era of collaboration among our universities in our collective effort to spur economic growth through the formation of core business clusters, or talent centers. Led in a partnership between the state, our universities, local government and the private sector, these economically vibrant centers for business incubation – these SmartZones – are fueling Michigan's desperately needed transition to a more diversified economy.

From alternative energies in Detroit to advanced automation in Oakland County to the life sciences in Ann Arbor and Kalamazoo to advanced engineering and information technology in Houghton and nanotechnology in Mt. Pleasant, our universities are serving as catalysts for new business start-ups, job creation, and the attraction and retention of highly educated individuals.

And we aren't letting up; in fact, we are accelerating the process of transforming research into new companies. Michigan's Technology Tri-Corridor, a partnership between universities and private companies and research institutions, has launched more than 95 companies in the past five years in the areas of the life sciences, automotive technologies and homeland security alone.

So, are universities contributing to Michigan's economy? You bet they are. In fact, an economic impact study commissioned in 2002 by the Presidents Council of State Universities of Michigan and the Michigan Economic Development Corporation determined that every one dollar of state investment in our universities generates \$26 of economic impact.

In other words, the state's \$1.5 billion in investment in our public universities produces \$39 billion in economic impact, or a remarkable 12.6 percent of Michigan's entire gross state product. The independent report declared that no other public investment realizes such a high rate of return.

While much focus has been put on the role our universities play in spurring Michigan's economic growth, the citizens of Michigan should feel equally as proud of their public universities for the intellectual, political and social leadership they generate.

It is students like Raquel Bellamy who hold the promise of a brighter future for Michigan. Raquel, a graduate of Detroit's Cass Tech high school, is a future electrical engineer studying at Wayne State University and is among hundreds of other graduates of the Detroit Public School system who have demonstrated academic success and are now benefiting from a four-year tuition scholarship made possible by the Detroit Compact, a cooperative partnership between our state universities and the Detroit Regional Chamber. Raquel, will you please stand and let us thank you for your dedication to being the best you can be?

Raquel is just one, yet poignant example of our universities' strong commitment to providing access to college to students of the Detroit Public School system who have demonstrated the ability and determination to succeed in fulfilling their career aspirations. Through the Detroit Compact and Wade H. McCree Junior Incentive Scholarship Programs, it is virtually guaranteed that every single Detroit Public Schools student who graduates with a minimum grade point average of 3.0 will have the full cost of tuition covered to attend one of Michigan's 15 public universities. I would like to thank the Detroit Regional Chamber and its president and CEO Dick Blouse for partnering with our universities to make attainment of a college education a reality for hundreds of young Detroit area students. Dick, will you please stand and be recognized?

Its students like John Leech, a native of Oxford, Mich., and a senior majoring in political science at Grand Valley State University, who symbolize the commitment to student engagement on our campuses and in our communities. John is a student government senator at Grand Valley and is also the chair of the Association of Michigan Universities, a leading voice for all the students

attending Michigan's public universities. John, please stand and let us thank you for the leadership you have demonstrated.

And it is students like Kristyn Gardner who best exemplify Michigan's future. Kristyn, who hails from Richmond, is an Oakland University senior majoring in biology. She is the president of the Golden Key International Honour Society and president and founder of the Pre-Vet Society, an organization that prepares students to apply for veterinarian school. And, she is the chair of Relay For Life, a 24-hour walkathon that will raise funds for cancer research and will take place on our campus for the first time this Friday. Kristyn applies her entrepreneurial spirit to every outside activity in which she's involved and still manages to maintain a 3.6 grade point average. Kristyn, please stand and be recognized.

Providing these students with the high quality education they deserve and that the world economy demands is an expensive undertaking. But our universities have done a commendable job of keeping access to a four-year college degree within reach to our younger generation. Last fall's average tuition increases were kept well below the Midwest and national averages for public universities, and this fall's increases were kept to the rate of inflation, around a modest 2.5 percent. By way of comparison, the average increase in resident undergraduate tuition at public universities around the nation this fall was 10.5 percent.

The average "sticker price" for tuition at a Michigan public university in fiscal year 2003 was about \$5,570 a year. But after factoring in federal and state aid, both merit and need-based, along with financial aid provided by our individual universities, the net tuition cost – what students and their families actually pay – for an average student today is less than half of that figure – about \$2,495 a year. And this analysis commissioned by the [Presidents Council of State Universities of Michigan](#), our association, shows that after adjusting for inflation and the financial aid and tax credits available today, the average family is actually paying less to send a student to a Michigan public university today than it did in 1998.

Now let's look at how efficient Michigan's universities are today.

Efficient is not the same as inexpensive, or cheap. Job one is maintaining high quality. We think we are managing to keep quality high, despite these tough financial times. Measured against our peers around the Midwest and around the nation, we feel we're providing amazing value. Quite frankly, no state has the collection of universities that Michigan students can choose from, from Michigan Tech in the northwest to Wayne State in the Southeast, and in every compass point of the state, students have amazing choices here in Michigan.

These remarkable accomplishments are noteworthy despite state funding cuts and tuition limits. Our universities are adapting. We have trimmed costs, reflected in part by 2,000 fewer full-time employees than just two years ago, which is tantamount to closing a large factory. Great efforts are being made to reign in soaring health care costs. And we have created a number of remarkable partnerships to pool and leverage our collective purchasing power, reducing our energy costs, for instance.

How are Michigan's public universities able to be so efficient? Because the state has not bound its universities up in bureaucratic red tape, but rather has freed them to find and establish their own markets. This is a critical and fundamental advantage we have over states that have set up "command and control" style statewide university management bureaucracies. The framers of the 1963 state Constitution – people like Bill Milliken, George Romney and John Hannah – had the foresight to recognize that granting universities constitutional autonomy would protect them from political interference and free up their ideas and energies by de-centralizing responsibility to elected and appointed citizen boards. Michigan's market-driven higher education system allows our universities to be nimble and responsive to market-place needs and assures that the quality and value of our product reflects a solid investment in tax dollars as well as tuition. Thanks to the autonomy guaranteed in the Michigan Constitution, each of the Michigan 15 has the opportunity to find its own way. We learn from each other, sharing failures and celebrating successes.

In the rush to economize, even during hard times, we must not lose sight of the primary value we have come to expect from our universities. The reason universities have earned the public's confidence, the reason hundreds of thousands of alumni of Michigan's public universities are proud of their alma maters, the reason families sacrifice to send their sons and daughters to our campuses is because these unique and special institutions are there at the very instant when people, at their most promising and vulnerable moments, come seeking their futures, come ready to become something more, something better.

The Education Commission of the States estimates that Michigan must enroll 222,000 more postsecondary students to match the higher education participation rates of benchmark states. This equates to more than doubling our total current undergraduate enrollment.

The good news is that enrollment in our universities has been on the rise. Total enrollment now tops 287,000 students, representing our ninth consecutive year of increases at the Michigan 15.

We applaud Governor Granholm for appointing Lt. Governor John Cherry to chair a Commission on Higher Education and Economic Growth. The 40-member commission, consisting of prominent leaders from across Michigan and all sectors of the economy, are working diligently to devise a set of recommendations for making Michigan the smartest, best educated state in the country. We are thankful to the members of the commission as they have set about the awesome task of designing a strategy for doubling the number of college-educated Michigan citizens.

The commission's charge is two fold: to double the number of college graduates in Michigan within the next 10 years and to ensure that those graduates have the knowledge and skills they need to succeed in the 21st century workplace.

Unfortunately, at this critical time in our state's history – at a time when enrollment in our universities needs to be growing – state support for higher education has been diminished severely. Nearly a quarter of a billion fewer state dollars are now being spent on educating an even larger number of college students than just four years ago.

To put this declining support for public higher education in perspective, in Michigan, for every one dollar the student invested 30 years ago, the state invested three dollars. Today, for every one dollar the student invests, the state pays 70 cents.

This dramatic decline in state support, coupled with legislatively mandated tuition caps, has starved our institutions to the point where reductions in quality are becoming apparent. To retain our world-class reputation for quality and to graduate skilled workers for the knowledge-age economy, this trend must be reversed.

Price controls in the form of tuition caps imposed from Lansing, coupled with the serious erosion of state funding over the last three years, do not make for a sustainable model for growing enrollment and improving quality. Declining state support puts Michigan in jeopardy of having its publicly supported universities evolve from being state-supported, to state-related to state-located institutions.

Why should taxpayers care about and even underwrite the college and career ambitions of our younger generation? Because once they're out in the workforce, the engineers out of Michigan Tech, the businessmen and women out of Michigan State, the doctors out of U of M, the nurses out of Grand Valley, the scientists out of Wayne State, the teachers out of Central and Western and Eastern, the IT professionals out of Northern and Lake Superior State, the construction managers out of Ferris, the social workers out of Saginaw Valley, and the municipal leaders out of Oakland University will pay far more back to the state than it spent to educate them. And that return on investment will come in many ways beyond property and income taxes.

We remain unwavering in our belief that public higher education is a public good and that the public investment made by the citizens of the State of Michigan is returned many fold and in countless ways.

Michigan has a long history of providing a quality public education for all its citizens. That education now needs to include postsecondary degrees and credentials that ensure success in today's economy. It is time for the state to rededicate itself to the invaluable mission of public higher education. A quality, accessible public higher education system is the key to a stronger, brighter future for Michigan. Our public universities look forward to partnering with our political leaders, other education providers, and business and industry to reinvigorate Michigan's economy.

Thank you.