

**House Appropriations
Subcommittee on Higher Education
Michigan House of Representatives
Tuesday, April 27, 2010**

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

Good morning Chair Bauer, Vice Chairs Gregory and Caul and other members of the subcommittee. I am Gary Russi, president of Oakland University, and I am pleased to be here today. Thank you for the opportunity.

Joining me is Dr. Robert Folberg, founding dean of the Oakland University William Beaumont School of Medicine, and the chief academic officer of William Beaumont Hospitals. Dr. Folberg is here to brief you on the status of our new medical school.

As a state university president who is extremely proud of the higher education institution that I represent, I can assure you that we continue to focus on our core mission to provide an excellent teaching, learning and research environment that is affordable and accessible, despite these very challenging times.

Educating and preparing students for life is one of the primary roles of universities, and the one we are most proud of. Included in your packets are collective and individual profiles about the students we serve, including one from each district.

University Update

In February, 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; a transition that began nearly 15 years ago. Some of the changes made over the years were driven by necessity; others by a vision and strategic decision to take a relatively small state university that was founded in 1957 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, research and student life. The results have been numerous, and include the following ten transitional changes, which are the result of the dedication and commitment of a top rate faculty and staff:

1. Growing from 13,600 students in 1995 to nearly 19,000 students today;
2. A nearly 65% increase in externally funded research over that same period;
3. Two research INCubators, one in Oakland County and the other in Macomb County;

4. A dramatic increase in partnerships with businesses, communities and other educational institutions in the region and state;
5. Establishing the first privately-funded medical school in Michigan's history;
6. Evolving from being classified by the Carnegie Foundation as a “comprehensive university” in 1995 to one of seven public research universities in Michigan;
7. A nearly 300% increase in campus life organizations (64 vs. 176);
8. The launch of Oakland University’s first comprehensive capital campaign, which raised more than its goal of \$110 million, and was accomplished one year ahead of schedule;
9. A successful transition from NCAA Division II to Division I athletics;
10. Another major accomplishment is an innovative and ambitious community college dual admissions, concurrent enrollment outreach initiative in Macomb, Oakland and St. Clair counties that streamlines the educational process.

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 investment decrease in higher education in Michigan has increased dramatically 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.

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, a more than 15% drop in real dollars.

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. Although very labor-intensive and time consuming, university administrators, faculty and staff are constantly seeking innovative ways to cut operating costs, increase access and affordability while simultaneously maintaining and enhancing academic quality and integrity.

Although Oakland has done a commendable job during these very challenging times, we are becoming increasingly concerned about what the future holds for higher education institutions and the students we collectively 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 as stipulated by the “Maintenance of Effort” provisions in the American Recovery & Reinvestment Act (ARRA).

Cost Containment

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, region, state and society. By the way, this is an ongoing exercise, during good times and bad.

Between FY 2003 and FY 2010, Oakland University has implemented \$4 million in one-time and \$16 million in permanent cost saving measures. In addition, we implemented \$10 million in one-time budget reductions and \$9 million in permanent reductions, for a total decrease in general operating funds of \$39 million. Clearly we are managing our overhead costs very well, most notably during a period of sustained enrollment growth.

FY 2010 Stimulus Funds and Student Financial Aid

Oakland is spending the ARRA funds in FY 2010 to supplement funding of our financial aid strategy, which supports student access and retention during this difficult economy. We made a strategic decision early last year to not include the Promise Grant in our student financial aid calculations, primarily to protect our students from any shortfalls.

Instead, Oakland University reconfigured our institutional financial aid programs, including the creation of a “100% Tuition Guarantee”, to allow our need-based students to attend Oakland without incurring loans for tuition. 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 was used for these programs and initiatives, thus 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 FY 2010 aid budget, a 29% increase. This strategy resulted in 953 additional students, both need and merit-based, benefiting from institutional financial aid. Moreover, our strategy decreased the net cost of attendance for our need-based students from \$6,181 in FY 2009 to \$6,100 in FY 2010.

FY 2010 Tuition

Our FY 2010 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. The remaining budgeted items also support students.

Even with an above average tuition increase for FY 2010, Oakland’s “all-in” price remains \$500 below the state average and ranks ninth overall among the 15 public universities. As previously mentioned, with below average tuition rates and below average state appropriations per student, Oakland has had to maintain a lean and efficient operation, during 13 consecutive years of enrollment growth.

FY 2011 Higher Education Executive Budget Proposals

Although we applaud the Governor’s FY 2011 higher education budget recommendation to hold universities “harmless” by replacing one-time federal stimulus funds with GF /GP dollars, a revenue

stream has not yet been identified. 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.

We are concerned that the bill before you (SB 511) decreases funding for higher education by 3.1%. The financial aid strategies that we put in place this year would not have been possible without ARRA funds and cannot be sustained if the university's budget is cut in FY 2011. Clearly, a revenue stream must be identified and passed to prevent further erosion and complications at state institutions of higher education. We believe it would be most beneficial to students and the universities they attend, if a stable revenue source is identified and earmarked for higher education to supplement current spending levels and reduce further erosion.

FY 2011 Capital Outlay Budget

One item we do support, but was not included in the governor's recommendation, is capital outlay projects for public colleges and universities. A few weeks ago we broke ground on a new Human Health Building, which will house the Schools of Nursing and Health Sciences, two of our fastest growing academic programs.

Community support for this much-needed facility, which would not have been possible without state support, was so overwhelming that more than 500 people attended the ground breaking ceremony. It has been nearly eight years since the state last supported a capital outlay project for OU, so the need for a new facility, especially during an era of sustained enrollment growth, was overwhelming. Thank you very much for making it possible.

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 in which our students learn. Oakland University's FY 2010-2011 top priority state capital outlay request is a new Engineering Design Center.

Closing Comments on the 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 and seek a brighter future. I urge the House and Senate subcommittees to take the lead in advocating for higher education in the Michigan Legislature. As subcommittee members, you know more than most and are more likely to command the respect and support of your colleagues to make higher education in Michigan a top priority. That's a legacy we can all be proud of.

I now would like to allocate my remaining time to Dr. Folberg for an update on the medical school. Before doing so, I would like to point out that this is a privately funded medical school and that we are not requesting any additional funds from the state for operating expenses. Yet, as Dr. Folberg will explain, the rewards to our students, region, state and perhaps nation, will be enormous.