



**House Higher Education Subcommittee Testimony
Presented by Michael A. Boulus
on behalf of the
Presidents Council, State Universities of Michigan
Wednesday, April 28, 2004**

Thank you and I appreciate the opportunity to kick off the House testimony on behalf of the 15 public universities of Michigan.

We find ourselves in a somewhat different position than we did a year ago when our universities were facing a collective 10 percent reduction in state support, which was followed by an additional 5 percent executive order cut in December. The executive budget recommendation and the Senate passed version of the higher education budget bill before you would restore 60 percent of the December executive order to a university during the current fiscal year and recognize that funding restoration as part of the university's base appropriation in FY 05. There is also an understanding there would be no further reductions in state appropriations via executive order for universities in FY 05. Of course, this is with the understanding that a university will not raise its resident undergraduate tuition for the 2004-2005 academic year beyond the rate of inflation. I would also indicate that there is no uncertainty among our universities regarding the base FY 2003-04 tuition rate to be used for the purposes of determining compliance with the tuition rate provision. The base tuition rate is the highest authorized rate approved by each university for the fall 2003 through summer 2004 semesters. Universities should not be punished for turning money back to students in rebates.

The proposed budget for FY 05 reflects a desire to end a dramatic decline in the state's support to its public universities that has occurred over the past two years. This proposed compact reflects a mutual goal to keep tuition affordable and maintain accessibility to our world class institutions. Thirteen universities have already accepted the Governor's challenge. The remaining two are carefully examining their options.

The ramifications of accepting this tuition pledge will affect each university differently. Today, and in the weeks ahead, you will hear from our university presidents and chancellors on how the tuition pledge will affect their respective institutions. While we appreciate this budget recommendation will hold universities harmless from additional state budget cuts in FY 05, it will by no means hold universities harmless from further budget cuts on campus. As you will be hearing over the next several weeks of testimony, the tuition pledge will still require significant internal reductions at each of our universities. By agreeing to the tuition pledge set forth by the Governor and passed by the Senate, it is estimated that our universities will be required to cut some \$75 million from their operational budgets. This is in addition to \$240 million in reduced state support and over \$160 million in internal reductions made by our universities – just in the last 15 months.

So perhaps we have bought ourselves one year in hopes the economy will improve and the budget hemorrhaging will stop. The continued and severe budget pressures threaten the very core of our universities' unique and varied institutional missions, all of which are essential to an educated and skilled population and a strong and vibrant economy for the state of Michigan. It must be understood that this tuition pledge is a short term, stop gap measure. It must not be viewed as a sustainable policy if it is our desire to maintain the accessibility to, and quality of, Michigan's public universities.

With that in mind, permit me to use the little time remaining to look at what the future holds for public higher education in the state of Michigan.

We start with the belief that Michigan has a superior group of 15 public universities and the state has a vital role to keep these institutions among the very best in the nation. This will require a long-term plan and a vision for our universities; one that goes beyond simply using them as a budget balancer during tough economic times. Michigan cannot afford to sabotage its future.

Michigan's economy rests on the quality of its universities, which are crucial to the economic and cultural vibrancy of our state. Our universities are among the few assets that provide the state with a competitive advantage in attracting and retaining businesses. They are the incubators of the workers of tomorrow's knowledge-based economy. The research conducted at our universities serve as a catalyst for new companies and new jobs. You will hear throughout the testimony over the next three weeks how our institutions impact the regional and statewide economy in a number of ways.

Public higher education is the best investment the state can make for Michigan's future. It is an investment that reaps big returns. It is also the best investment individuals can make in themselves – not just for economic reasons but also to ensure fulfilling professional and personal lives. While the personal gains from higher education are well established, the societal benefits are even more lasting. These include tangible returns through economic productivity and increased tax revenue, but even more fundamentally, through the promotion of an enlightened citizenry and greater social cohesion.

The remarkable loss of jobs Michigan has recently experienced underscores the importance of having citizenry that possess much more than just a high school education. The state's disinvestment in higher education is occurring at a critical time when the state is losing jobs and is competing for intellectual and entrepreneurial capacity with other states.

While we fully understand the budget challenges facing the state, we must recognize the impact of the state's disinvestment in higher education. The state's per student spending at our universities has dramatically declined from just over \$7,000 in the year 2000 to \$5,646 in 2004, a difference of \$1,356 per student over the past years. The state has disinvested \$240 million, or almost 15 percent of its funding for its universities in just the last 15 months. To put it in context, the impact of the 15 percent cuts is the fiscal equivalent of virtually eliminating 100 percent of state funding for 7 of the 15 universities.

In Michigan, for every one dollar the student paid 30 years ago, the state used to pay three dollars. Today, for every one dollar the student pays, the state pays 60 cents. In fact, over the

past 20 years every major category of state funding saw bigger increases than higher education – corrections, health care, human services, etc.

What's heartening is that our universities haven't folded in this environment. Our universities have kept their focus on students and delivering the high quality programs they demand and deserve.

We will continue to do our share in keeping our costs on a per-student basis at or below the rate of inflation. Universities experience the same strains seen in other businesses. Cost increases in utilities, employee health care, technology and deferred maintenance needs are exceeding the rate of inflation, further burdening our universities' abilities to keep their operational costs down while maintaining high quality academic programs and student services for which they are so well known. We have worked creatively and efficiently to keep our costs down and our tuition increases well below the Midwest and national average. Not only have our universities trimmed costs – often done through reductions in their workforces; they have also developed a number of remarkable partnerships to pool and leverage their collective purchasing power.

We understand that in the months ahead the state will continue to face tough fiscal challenges. As we look toward the long-term, Michigan residents would be well served to ensure that state support for public higher education be made a top priority. There are 118,000 high school seniors and 128,000 high school juniors in the pipeline. It is in the state's collective interest to maintain access to our universities for these young adults who represent our future. We may have stopped the hemorrhaging for one year, but if the state continues to disinvest in its public universities, the budget cuts will be borne by students and their families, particularly the current cohort of high school students, in the forms of reduced access, tuition increases, and increased debt.

It is a time when investment in our youth, our future workforce and the creation of jobs are most critical to revitalizing Michigan's economy. The widening gap between the demand for higher education and available resources will require that state support for higher education be made a top priority. We understand that there is no such thing as a free lunch. You can either create a mechanism for financing our public universities at realistic levels over time, or run the risk of starving these institutions at the peril of the State's economic future. Michigan's 15 public universities are the gateways through which pass the workers, the research, and the entrepreneurial zeal that will drive our state's economy in the future. Investing in these great institutions is the best investment the state can make.

