

Comments by Regent Darlow
June 18, 2009

I start with the conviction that our top priority is to support our Michigan undergraduate students and their families. Because of sound past administration, this university is in the relatively enviable position of good liquidity, strong credit rating, solid cost containment efforts, and a record of many solid investments in wonderful new facilities, outstanding programs, new faculty initiatives, and substantial compensation.

Holding down tuition for undergraduate resident students does not mean undermining these substantial investments. In fact, the amount of revenues to be gained from the proposed undergraduate resident tuition increases is relatively small. For example, in the proposed Ann Arbor General Fund budget of nearly \$1.5 billion, the revenues to be derived from the proposed 5.6% resident undergraduate tuition are about \$12.9 million. In other words, we're talking about less than 1% of the Ann Arbor General Fund budget.

In contrast to so many positive developments in recent years, the discrepancy between tuition increases born by Michigan undergraduates and their families and their diminishing median income is startling. Cumulatively, tuition increases over the past decade have exceeded 75%. In the past five years, annual tuition increases for LS&A and general lower division resident undergraduates averaged 6.7% and 6.9%, respectively, while the average annual median income growth for Michigan was only 0.8%.

We should be particularly concerned as well about increasing levels of student debt at the University, in contrast to many of our peer institutions who have reduced undergraduate debt substantially in recent years. Although student debt is often justified on the grounds that college graduates are able to earn more money to repay their debt, it may be some years before we can provide such assurance to graduates job searching in Michigan, which is where we hope many of them will stay.

Another area of concern is increasing stratification of America's college students. In the past decade, the disparity between the median income level of college students and their families and that of the general population has grown at the national level. Nationally, less privileged young people with the highest test scores attend college at substantially lower rates than their more privileged age peers with the same test scores. We need to be vigilant, I believe, to ward off such disparities at this university.

As a great public university, this university must insure accessibility. The administration has focused on increasing financial aid to insure accessibility, and that focus is commendable. Nonetheless, while need-based financial aid increases in

the last two years and in this budget particularly are substantial, such gains have not always been the rule over the past decade, and there is room for further significant gains. Ultimately, financial aid is not the sole component of accessibility. There are two: financial aid and tuition restraint. Today we should provide the benefit of tuition restraint to our Michigan undergraduates and their families.

Comments by Regent Deitch
June 18, 2009

This is my 17th budget meeting. In early 2008, I had a decision to make. Did I retire, as my esteemed colleague and electoral classmate Beckie McGowan had decided to do, or did I still have enough passion for the work to seek another 8-year term? The decision which I made is, of course, obvious; the reasons, perhaps less so. I would like to explain my support for this budget in the context of those reasons.

First reason: This is personal for me.

Other than my wife and family, the University of Michigan has been the great love of my life since I first walked on the campus as a freshman in 1965, 44 years ago. This greatest of all public universities is a unique treasure. As a kid from Detroit from a middle class family of relatively modest means, my sister and I were lucky that this great institution was here and accessible to us. Our family income actually was too much to qualify us for need-based financial aid and I wasn't smart enough for a merit scholarship. However, I know that sending two children to U of M was a great sacrifice for my parents, despite what the regulations assumed about their income. My mother worked at a time when most of our friends' mothers didn't. My father never drove a new car until we were in college. My parents never took a fancy vacation until we were out of college. I always worked for spending money at school and during the summers.

At Thanksgiving dinner in 1997, about 6 months before my father's death, I was lamenting the high cost of sending my oldest daughter to a private law school. Eventually, I said to my father, "Dad, do you remember how much it cost to send me to the U of M way back then? \$1000?" He responded, "No, I don't remember. I'm just glad that we were able to do it." As I thought about it, whatever it was, it was a lot in terms of 1960s dollars. To scale it, my wife and I got married when I was in law school. Her first salary as a Detroit school teacher was \$7,800. When I got out of Michigan Law School, my first year salary as a lawyer was \$14,500, and that was a big deal because I went to Michigan.

Like my parents, middle-class people have always sacrificed to give their kids a college education, and the gift of a high quality education is, in my judgment, the valuable thing that you can give your children. So I continue to serve to use my best efforts to insure that other kids like us have a chance to come to a place that is both accessible and very, very excellent. It must be both. I believe this budget does that, with its unprecedented commitment to both financial aid and the maintenance of academic excellence.

Second reason: The state of Michigan.

I've lived here all my life. It is heartbreaking to see the economic distress that so many people who, as Bill Clinton used to say, "work hard and play by the rules," are undergoing. For most of the twentieth century, this state was like Silicon Valley is today. That is, the richest place in America, even though it was always subject to the vagaries of economic

cycles. But what we are confronted with today is no cyclical downturn. Rather, it is a wrenching readjustment in the fundamental underpinnings of our state's economy. In my judgment, there is simply no cogent strategy for rebuilding Michigan's economy that doesn't depend on a superb, vibrant, University of Michigan. I came back because I thought my years of experience and institutional knowledge could contribute to keeping the U of M superb through very tough times.

We simply cannot allow the U of M to become just another public university. It has to be the best. By its very excellence it will speak to the world of what our state is all about, without even taking into consideration its job creation potential. Maintaining that elite status requires a superb faculty and terrific facilities. It also requires stability. Calm, determined, steady, tough, decision-making. This budget maintains excellence. It provides stability for faculty and staff, and is the product of a thorough and tough decision-making process. It is measured—neither excessive nor constricted.

Third reason: I support our leadership in these difficult times.

As I assessed things, I concluded that our choice of President Coleman several years ago was, indeed, a wise one. She is an extraordinary leader: pragmatic, principled, supportive of her team, and an indefatigable worker. And I say that as a person who hasn't always agreed with her. But today, I want to say affirmatively that I share her vision of Michigan exceptionalism.

A key aspect of her vision can be seen in the team she has recruited. Provost Sullivan is an extraordinary talent; the same can be said for Vice Provost Phil Hanlon. No one could do a better job in Lansing than Cynthia Wilbanks; the same for Jerry May in development. Our CFO, Tim Slottow, is in a class by himself in academia, as evidenced by U of M maintaining its AAA bond rating at a time when many other prestigious universities have lost theirs or have had to borrow money to pay bills. And that has occurred in a state which is the poster child for the supposed death of the American industrial economy.

As everyone has said, the regents have engaged in an exhaustive review of this budget and the administration has done a marvelous job in coming up with a thoughtful and future-oriented budget. I wish to thank them for their hard work. I also wish to thank the president, the executive officers, and all of the deans of the University for forgoing raises in 2010. That is truly leadership.

Finally, I came back to "take the heat" in service to this university. By that, I am referring to the fact that raising tuition is certainly never easy and is certainly not politically popular. But I truly believe that if we are going to maintain Michigan's excellence, a measured increase like the ones being proposed, including for Flint and Dearborn, is necessary when combined over time with cost-cutting and the development of other revenue sources if consistent with our role, mission, and institutional values. Regent Ilitch is right when she talks about those things, but we are living today, and we've got to address today's reality, and that's the basis of our difference of view.

The fact is that 65% of our General Fund budget comes from student tuition and fees. That being the case, in the near term, given the high likelihood of continued decline in state support, some adjustment to tuition is, and will in all likelihood, continue to be necessary. I believe that the public can accept that fact if they know that the tradeoff is the maintenance of excellence. I honestly believe that people will accept the necessity for higher costs if they can see the value in exchange. If you asked people whether they would trade a de-valued Michigan degree to save \$600, all would say no.

With regard to taking the heat, I wish to make reference to our constitutional autonomy. The Board of Regents is a co-equal branch of government under Michigan's constitution. Our job is to preserve, protect, and defend the University. We have no other charge. We were given autonomy, eight-year terms, and no term limits to take a long and independent view of what is best for the University. In 2017, the University will celebrate its 200th anniversary. That's rather old for an American institution, but relatively young in comparison to Oxford, which traces its roots to 1167, or to its "spinoff", Cambridge, which was founded in 1209. My point is that even if our decisions aren't popular in the here and now, we must do what we think is right for the long haul. What we have at Michigan took many years to build. It could be lost in a minute if we make imprudent decisions.

Our independence gives us the ability to do that, so it is with my sense of both what is necessary in the here and now and for the long haul that I again repeat my enthusiastic support for this budget.

Having articulated the reasons for supporting this budget, I challenge us to think creatively. Things are likely to get worse before they get better. We are going to need to continuously improve, to seek new sources of revenue, to do more with less. I believe that we can do that.

A friend of mine, Bob Naftaly, was state budget director back in the 1980s. He told me that he loved his job because a budget for a state or a major institution like ours isn't just about numbers but rather is about policy choices. I assert that by adopting this budget at this time we are making a clear policy choice: the University of Michigan will grow and continue to be great even in the face of daunting adversity.

In conclusion, I wish to thank you all for your attention and my colleagues for their many thoughtful contributions to this long but very important process.

Comments by Regent Ilitch
June 18, 2009

I, too, want to thank the administration. This was my first wonderful experience with the budget, and everyone was so patient about all of my questions. So thank you all so much for that.

The University of Michigan is the top public institution of higher learning in our state, and arguably, the country. We attract students and teachers from around the world because our programs are consistently ranked at the top. We are the leaders and the best, from professors to the maintenance staff, from the students to administrators. Our people are innovative, cutting-edge, and smart.

Today we meet during a time of economic crisis to make difficult decisions about the budget of the University of Michigan. And now is the time, more than ever, to bring more innovation to addressing our finances and setting tuition at the University of Michigan. Just like families across Michigan are doing during these tough times, we need to reevaluate our priorities and our budgets. We have to fix our budget crisis from within, not on the backs of working students and families. That is why I am voting against the proposed tuition increases at the Dearborn, Flint, and Ann Arbor campuses for the upcoming academic year.

I've reached this decision by applying the best of my business experiences to the values of a Michigan education, and I think we can do better. As a Michigan regent, my core values are to provide all Michigan families with an affordable, quality, and accessible education. Over the last six months, I have done due diligence, reviewed our budget, asked the tough questions, and raised new ideas. The administration and the other members of the Board of Regents have been working hard, too. But it is my belief that we at the University of Michigan must raise the bar during these most difficult of times and do even more.

Times are tough for everyone, from the private sector to Ivy League universities such as Harvard. Everyone is making the tough cuts without compromising quality or losing talent, and we won't either. I am hopeful for our students that the governor and the legislature will keep their commitment to fund higher education and restore through stimulus dollars the cut in state funding to the University. And I encourage all of us to advocate that they honor their intention.

It is my firm belief that we must 1) find new revenue sources and new ways to contain costs, 2) identify additional efficiencies that can be made at every level, 3) contain costs by centralizing more functions, enjoying economies of scale and avoiding duplicate efforts and services, and 4) conduct a very continued, thorough review of our core mission, and shed cash drains that are ancillary to our core mission. We can tighten our belts and make the same difficult sacrifices made every day by the hard-working people that attend our fine institution. And we can make it without compromising our standards. In fact, it will only make us stronger.

This time of crisis demands we must do better, and I know we can do better. And while the future may present challenges that cannot be overcome with additional efficiencies and economies of scale, I believe today there is still more we can do. We cannot operate as if we are immune to the economic crisis. Rather, we need to pave the way for innovation and do everything we can to maintain the quality of our university while not passing these costs onto the backs of our students.

I just know we can do that because we are Michigan. I was fortunate enough to be the first person in my family to go to college and of course, to graduate from Michigan in 1977. And as my family built their business—I was the oldest of 7—we all worked hard to make ends meet, and I've never forgotten what that means. My vote today is for the student at Ann Arbor who works 3 jobs to pay for his tuition, books, and rent, and won't be able to make future payments if tuition continues to be raised. My vote today is for the student at Dearborn that is working fulltime, living at home to save money, driving her parents' old car, paying her way through school so that she can get a good job when she graduates, only to start her young life with tens of thousands of dollars in student loans. And my vote today is for the parents of a freshman at Flint who just lost their jobs at an automotive plant. They make too much money to qualify for government aid, and have taken out loans and refinanced their home to provide their child with a better opportunity than they had by sending them to college.

At the University of Michigan, our decisions will determine their future and our future. We are the leaders and the best, so let's put our savvy and innovation to use for those who need it the most. Let's show everyone what the Michigan difference truly is. Charles Darwin said, "It is not the strongest of the species that survive, or the most intelligent, but the ones most responsive to change." In light of the historic GM bankruptcy, we have all been reminded of the importance of change and the need to choose change before change chooses us. At the University of Michigan, I believe we can do better, and I believe the time for change is now.

Thank you all very much.

Comments by Regent Maynard
June 18, 2009

Since becoming a regent, this has been the most challenging of all of the budget processes, and I suspect that my colleagues would agree. I also would like to thank everyone who was involved in the budget preparation.

We are, indeed, in a hard financial time in the state of Michigan, and that fact is on everybody's mind. At the same time, we have a university whose quality in teaching, in health care, and in research are an asset to its students, its faculty, and beyond—to the state, the country, and internationally. Planning this year has been discussed, as several have said, in the context of multiple years. In FY2010, our state appropriations will decrease. And even if we do receive some stimulus dollars, that amount will be here for only one year.

I will vote for the 5.6% tuition increase for the Ann Arbor campus, and am also supportive of the budgets for the Dearborn and Flint campuses. Especially important are the increases in financial aid for undergraduates and graduate students, of 11% and 8%, respectively. These financial aid increases are essential for our students and our families. As well, the budget will support our very valuable faculty and the essential research for which our university is so well known.

No matter how each individual regent votes today, there is one fact we can all agree on. We each care deeply, both individually and as a board, about this public university and want the best for the University of Michigan as we also want the best for our state.

Comments by Regent Newman
June 18, 2009

There was a statement in one of the budget presentations that said, "based on state revenue forecasts, we anticipate a precipitous drop in state appropriation on the order of 20% by FY2011." I looked at that, and I thought that if we are going to be dealing with a 20% decrease in state appropriation and we are going to have to deal with that in one year, that's a tuition increase. That's something I don't want to have to tell any family that they have to do. I don't want to tell any student they have to deal with that. I think one of the things we did this year that made a difference was that we looked ahead and took that into consideration. To not support the efforts of the people that have put that together and understand where this is going, and have had the opportunity to go through these numbers, I think would be a mistake on our part.

I've been a tuition hawk since I came on this board, and that hasn't changed. I'm not happy with the increase. Do I believe the University can do more? You know I do. Do I believe we will do more? I hope so. But I also believe that we need to support our students, staff, faculty, deans, and administrators. The fact of the matter is that the students are going to make the decision as to whether or not they come here. Without students, there is no reason for us to be at this table. Do they want tuition to go up? No, but there are students who have been involved in this process and have supported it. They have said, "We want what we have and we like it."

There is something no one has said at this table that is really important. Remember where I come from and what I do for a living. We've talked about consolidation, and about centralization, and we've talked about closing things. What does that mean? It means layoffs. No one at this University has been laid off yet due to the economy. We have to make sacrifices. We have hiring freezes in place, we are not hiring when we don't need to. But we haven't told people yet that they don't have a job. And that's just as important as it is having students at this institution. We have to remember that in everything we're doing there are people's lives at stake in this community and in this state, and people are happy to be here and are sacrificing themselves to do it. And for that reason, I'm going to support the budget.

Comments by Regent Richner
June 18, 2009

While President Coleman has noted how much time the regents have devoted to deliberations about the budget, this doesn't compare to the amount of time that has obviously been devoted to this subject by her and all of the other administrators from across the University. We appreciate all the time and effort put into that.

I believe this is the seventh time I've been asked to make a decision on tuition. It is always a difficult decision, and I think I say this every time, but this is a particularly bad year. My own son is now a high school senior, and I am not unmindful of the challenges facing parents and families in meeting tuition and educational needs. But I think in making tuition decisions, there are always competing interests to consider in maintaining accessibility and affordability, balanced against having the resources necessary to maintain the quality of the institution.

Speaking of quality, one of the benefits of serving as a regent is that periodically, we have an opportunity to meet some of the truly outstanding faculty at the University. This includes faculty who are working to cure cancer and researching self-care for those afflicted with chronic diseases, a mathematical biology scholar, a Grammy-award-winning musicologist, a professor of paleontology who is a world expert on woolly mammoths—and these are just the folks I met last night! Our students are the beneficiaries of these minds and of so many other brilliant minds on our campus, which is what I think really makes this university great.

What helps in bringing these people here in a very competitive environment is not necessarily the weather--although the paleontologist probably likes being in the northern hemisphere--but having the financial resources. We get these financial resources in large part from state appropriations and tuition. In my seven years on the board, the state appropriation has gone from \$365 million to the current projection of \$316 million; this is not a positive trend. Regrettably, this trend is projected to continue. In response, we have challenged our provost and our administration to dig deep, sharpen their pencils, and explore all possible avenues to cut costs, and we will continue to do so. We need to have a long-term outlook. We've asked the administration to do that in this budget, and they have.

Is this budget perfect? Likely not, but it is based on a set of reasonable assumptions and projections based on the best information we have today. I am convinced that the budgets for the Ann Arbor, Dearborn, and Flint Campuses, the Health System, and the Athletic Department include an appropriate balance of funding to preserve quality while preserving access and affordability. I support the budget proposals.

Comments by Regent Taylor
June 18, 2009

So often when we deal with big issues, you see the regents come and we sit and motions are made, etc., and you can certainly get the impression that we just rubber stamp. As noted by Regent White, I can tell you that we have spent hours and hours and hours on this budget. We have driven to Ann Arbor, the staff has come to Detroit, we've been over this time and time again, and a lot of tough questions were asked and changes were made.

Any tuition increase is too much. But I am pleased that we are going to be able to hold it at 5.6%, especially in light of some of the numbers you saw during the presentations about what is happening at other universities and what they're doing. I think it's critical to look at exactly what that means. That 5.6% for a Michigan kid coming here means \$311 per semester, \$622 per year. I defy anybody to tell me that a University of Michigan education—a great education, not just run of the mill, but a great, world-renown education—isn't the best buy in the world. If that student decides to go someplace else, to a competitor school that really competes with Michigan, they have to spend 300-400% more than it would cost to go to Michigan.

One of the things we should also look at is that this budget recommendation contains \$118 million in centrally-awarded financial aid, which is a \$7.5 million increase over the past year. So for many of our most needy students coming here, the increase is offset to a large degree by financial aid. And this is simply not taken into consideration enough.

Another thing I know will come up is the question of why is the increase of 5.6% so out of line with the Consumer Price Index (CPI)? Well, the fact is that the annual growth rate in tuition and fees has actually been below the CPI if you take into consideration the decrease in the state appropriation and the increase in our financial aid. So, but for those factors, we would actually be below the CPI.

We've seen all of the economic troubles the state is experiencing. Some elected officials and many economic development officials in the state have decided that the University Research Corridor (URC) is one of the few really positive things the state has going for it. The URC includes the University of Michigan, Michigan State University, and Wayne State University, clearly led, we think, by the University of Michigan. It is of such value to the state of Michigan, and is one of the few things we have going for us.

We have to be careful that we don't damage our brand, if you will. It takes many decades to build a reputation the likes of what Michigan has. We could cut the budget just like that; it's not hard to do. You could lay off some faculty, close some departments, but you would not have the University of Michigan. And if you didn't have that, the next thing you would see is research grants disappearing, the best students would not choose to come here, etc. You would have a different university.

So I am going to support the budget. I think it is the right thing to do. I think Michigan is well-managed. I support President Coleman and her staff and all of the people who have worked so hard on this. It is unfortunate that we have to do it, but I think we're doing the right thing for the University, for students and for the state of Michigan.

Comments by Regent White
June 18, 2009

Thank you, President Coleman and Provost Sullivan, for recommending a lean and balanced budget. Given the University's increasing costs and the devastating effect the recession is having on our state, you and your team have done a superb job. I would especially like to thank Vice Provost Phil Hanlon, Associate Vice Provost Glenna Schweitzer, Assistant Vice Provost Ann Berens, and the Office of Budget and Planning staff members for all of your efforts. I know there have been a lot of long hours and weekends, and that we don't cool the building on the weekends.

This budget has been almost a year in the making. You've worked tirelessly with us for many months—days, nights, and weekends—to provide the information that we need to vote today. This year's approach, which involved a careful consideration of longer term effects on the continuing decline of state funds, and the nearer term impact of one-time federal stimulus funds, is a wise course that will better help us no matter what economic storms are going to come our way.

This prudent planning is similar to the approach underlying the University's endowment spending rule, which has helped us smooth the impact of volatile capital markets by basing annual distributions on a seven-year market average rather than the one or two year average used by some other schools. As Regents, we are stewards of a great university, and this university was here before any of us were born and will be here long after we're gone. Insuring the future of this institution is a responsibility we take very seriously, and we know the choices we make today will affect generations to come. Accordingly, we will act in the same bold manner as leaders before us, embracing the challenges in the current environment, while at the same time remaining clearly focused on our future.

In fact, this institution has done great things in hard times before. The Law Quadrangle and the Horace H. Rackham Building were built during the Great Depression. That takes confidence in purpose, in mission, and in one's ability to succeed. I'm proud that today's budget that is being proposed mirrors the University's heritage and highest aspirations: commitment to academic excellence, accessibility for Michigan's most promising students, and a leadership role in our state's economic development. As a world-class public university, we must continue to invest in people and ideas for the good of our state and the region. And today, we make that investment once again.