

JUNE MEETING, 2020

*The University of Michigan
Virtual
June 29, 2020*

The regents met at 7:00 p.m. via a livestream link on the university gateway. Participating were Regents Acker, Behm, Bernstein, Brown, Ilitch, Ryder Diggs and Weiser. Also, on the call were Vice President Baird, Vice President Churchill, Interim Provost Collins, Vice President Cunningham, Chancellor Dutta, Chancellor Grasso, Executive Vice President Hegarty, Vice President Lynch, Vice President Michels, Vice President Pendse, Executive Vice President Runge, Interim Vice President Taylor and Vice President Wilbanks.

President Schlissel welcomed everyone to the special Board of Regents meeting at 7:00 pm. He conducted roll call of all the regents. All were present except Regent White who was absent.

President Schlissel said, “I asked for this evening’s meeting after several days of discussions and planning that allow us to describe in more detail the budget we are proposing for the upcoming fiscal year. We are required to have a budget in place in order to continue the functions of the university into our new fiscal year, which starts this Wednesday, July 1.”

He continued saying, “The documents we shared for last week’s meeting are identical and are posted on the regents’ website with the June 25 board agenda and materials, but I want to highlight some important points and commitments we are making as part of our budget.

First, half of the 1.9% tuition increase for the Ann Arbor campus will be invested in increased student financial aid that is specifically linked to the COVID-19 pandemic. This budget will cover the entire cost of the increase for in-state students receiving need-based aid and will adjust or grant new aid to families whose circumstances have changed because of the pandemic. If the needs exceed the budgeted amount, we will tap into our reserves to meet them. We are committed to do our very best to make sure that the COVID-19 pandemic does not result in a lost generation of students who were unable to continue or complete their Michigan educations because of the circumstances we all find ourselves in.

“The university will incur many millions of dollars in additional costs due to the needs of our public health informed fall semester. For example, we will make extensive use of testing for the virus that causes COVID-19 to keep our community safe and each test costs about \$100. The \$50 per semester temporary COVID-19 fee will help defray some of these costs and the budget also commits general fund resources to these costs. The budget includes the use of more than \$400 million from our endowment, even though the value of the endowment will undoubtedly be diminished by the severe COVID-19 induced economic recession. The budget already calls for using reserves to cover an expected deficit due to the pandemic of \$19 million and the cost-saving measures we’ve implemented will result in about \$100 million in savings in FY21. These include a hiring freeze, suspending most travel and other non-essential spending, and freezing the salaries of non-represented employees.

“The plan also presumes flat state funding, though we have to be realistic because we may face a large cut that will make further demands on our budget and reserves. The

modest 1.9% increase being proposed therefore is just one of the many ways we are addressing the financial hardships created by the pandemic – and we’ve made it so our students with financial need will not be affected.”

President Schlissel added, “Outside of the budget, I will be doubling the amount promised last week to support student success on our Flint and Dearborn campuses. This new \$20 million investment will be devoted to programs that enhance recruitment, retention and graduation. I appreciate the many voices who have advocated for greater investments to promote increased enrollment and greater student success at our regional campuses. I’ll be working closely with the chancellors to determine how best to target this funding since they know their campuses the best.”

President Schlissel asked for a motion and a second on the Revenue and Expenditure Operating Budgets for FY 2020-2021 to open the floor for discussion and comment.

Regent Acker so moved and Regent Weiser seconded the motion. The regents then discussed the 2020-21 budgets.

Regent Brown said, “First, I want to thank the president, the executive team, the staff and especially the other members of the board for their hard work and patience during this huge task known as the budget. You all know it effects over 60,000 employees, 50,000 students and tens of thousands of patients, which represents over \$12 billion in revenue and spending on everything from three academic campuses to a statewide healthcare system and a couple dozen major sports programs.

“At our last regents meeting we were presented with a budget that I feared did not adequately support all of our campuses, staff, students and their families during

unprecedented times. Since our last meeting the president and staff have spent countless hours giving me clarity on and adding to those programs designed to support those in our community who are in need. Because of those efforts I am an enthusiastic supporter of this budget, not to mention our president and team. The 1.9% tuition increase will allow us to eliminate any tuition increase for most families with incomes under \$125,000 and increase our financial and administrative support for families whose income was dramatically hurt by this 2020 economic downturn. Lastly, I believe the investment of \$20 million for our Flint and Dearborn campuses, aligned with the chancellors' strategic plans, create an unprecedented opportunity for those campuses to increase the world class education provided at those schools, so we can continue to say we are truly the leaders and best. So, thank you again president and staff. And again, I'm a supporter of this budget."

Regent Behm said, "In this year's budget, accomplishing the following two things is very important to me. First, assuring the \$20 million increased funds for Flint and Dearborn are equitably distributed will allow these two vitally important campuses to, like you said, recruit, retain and graduate Pell eligible students, not just accept students and wish them well, but provide wraparound services that first generation and underrepresented students need in order to truly flourish and succeed. Second, those under financial strain will not be asked to pay a tuition increase. I know what school loans feel like. As a newly married couple, my wife and I had over \$100,000 in student loans and those payments were twice that of our house mortgage. Students in financial need, including those whose families have been affected by the pandemic, will see no increase in their total costs, including room and board fees.

He added, “Here are just a few statistics from the Go Blue Guarantee Website to point out who won’t receive an increase. For example, 98% of Michigan families with incomes from \$65,000 to \$95,000 receive financial aid. Because they received financial assistance there will be no increase. A total of 90% of families with incomes between \$95,000 and \$125,000 and even 72% of families with incomes between \$125,000 and \$150,000 will receive no increase. Even 60% of families who received financial assistance with incomes between \$150,000 and \$180,000 will receive no increase. It’s important to point out that some of these people will pay the increase because their finances show their family has assets, a large amount of assets, even though their income is not that large for an annual amount. It’s also important to point out that 50% of in-state students will not receive a tuition increase this year. Some people mention other universities who have not had an increase. It’s important to do some investigation of a few of the universities who have not reported tuition increases. They have implemented across the board salary cuts. We have not done that. Basically, in order to assist our students who are struggling financially we’ve asked those who can afford to pay a very small amount more to do so.”

Regent Bernstein said, “I want to amplify President Schlissel’s message and join my colleagues who are supportive of this budget. President Schlissel mentioned our commitment to financial aid and I really want to spend a little bit of time talking about the way in which we provide financial aid, the priorities that motivate me in terms of my support for this approach, share some facts about it and talk about who really gets this aid and how we do it. So, I want to start with an admission of failure. I think that we, and frankly, all of higher education, have done a clumsy job at best talking about

affordability. The public, and even many in the higher education community, focus too frequently on the sticker price of tuition. And that is an inherently deceptive and misleading number. Why? Because the vast majority of our students don't pay the sticker price or the full tuition amount. Those who can, should. Let me also be clear about something. Despite decades and decades of cuts to education funding in Michigan, we are the only public university in Michigan that covers 100% of the demand demonstrated financial need of Michigan students.

“This year we will spend well over a half a billion dollars on student support, while the last campaign raised over a billion dollars in financial support. It's a major and obvious priority for this institution, as 70% of our Ann Arbor students receive financial aid. That's tens of thousands of students. And here's something that I'm proud of that's really important and also under appreciated. One in four in-state undergraduate students pay zero tuition, due to financial aid. That means that over 4,100 in-state students at our Ann Arbor campus pay no tuition. They attend our university for free. In contrast to many other schools, and this is also really important to appreciate, I think we do this on a massive scale. To put that in perspective for a second, this 4,100 number, roughly a little more than that, is about the same number of students at Dartmouth College. Yale University has 5,900 students and Princeton University has 5,400 students. It's half the number of undergraduate students at Northwestern University, which has about 8,200 students.

“So, who does pay full tuition? Students who can. Therefore, in my opinion, they should and they are getting one of the great bargains in higher education, paying about half what out-of-state students pay. So, I urge my colleagues to consider these

facts when considering this budget. Some of my colleagues already mentioned this, but I think it's worth repeating that 100% of our students with demonstrated financial aid will not see their tuition increase by a single penny, not a dime. They shouldn't and they won't. And this also applies to housing fees, health services fees and all the rest. Under this budget 90% of our students from families with an income of up to \$125,000 won't pay a penny more, and this continues a decade-long trend for in-state students from families with a household income below \$120,000 who pay less today than they did 10 years ago, and out-of-state students from families with household incomes below \$80,000 are paying less than they did 10 years ago. Fundamentally, I believe that lower income students who struggle to pay tuition depend upon those who can to reduce the cost of their college education. And finally, with regard to Flint and Dearborn, the previous budget with about \$11 million in institutional aid was a good start. This budget doubles this investment with \$20 million. So, this budget after these additions is an even better one. And, so, for these reasons I urge my colleagues to support this budget."

Regent Weiser said, "I've received a lot of emails about how rich this university is and I want to talk a little bit about the endowment from two perspectives, both as a donor- as you know I'm a substantial donor to the university- and as a regent. I've worked closely with the committee that reviews the endowment and how it's used. The endowment is made up of almost 12,000 individual endowed funds, each one with its own restrictions. The amount of unallocated funds in the endowment that are not restricted by federal rules or spending policies in many cases act as the reserves that we need for the units of the university that have put them there. For instance, the hospital will be using its reserves to build the new inpatient tower, which is absolutely critical to

its future existence because the old tower will be obsolete and is decades old. So, there are reasons that this money can't be used in all the different ways that have been proposed to me. While we are a university that is blessed by having an endowment that will give us \$400 million this year, most of that money is restricted to certain areas, for instance, the money that I've given is going to be restricted to pediatric brain cancer research, food allergy research, and diabetes research. There are hundreds of millions of dollars that will come from the endowment that are designated for student aid. Those things can't be taken away and be used in other ways, legally, morally and contractually. I wanted to make that comment because of this misnomer or misunderstanding of the wealth of the school. It's not a \$12 million endowment where we can take the income and spread it, and put it in other places. We have legal, moral, and federal policy and law obligations on how we can spend it.

“I also wanted to make a comment about why I and other regents asked for this meeting, which the president mentioned before, and that is that this university would literally have closed on the first of July. We would have had to legally stop paying everyone. I mean, can you see the gurneys taking patients out of the hospital trying to move them to other places? That is literally what could have happened if we had not had this meeting to have the opportunity to pass a budget. You cannot operate this university without a budget from a legal basis. That's why this was done so quickly and why a number of regents, as well as the president, asked that we reconsider the budget so that's the second point that I wanted to make. Those things are important to understand. So while we are blessed to have these 12,000 endowments that help us across the university, from medical research to helping students in need to doing all kinds of specialized things

that the donors intended, and we're blessed to have the amount of money that we have available coming from the endowment for student aid, we also have obligations to do the research and other things that donors have committed their money for. If we didn't do that they'd have the ability to take their money back out.

Regent Diggs said, "First, I appreciate everyone's comments and the thoughtful way that people have approached the issue in the last few days. But again, I'm reflecting since Thursday. I'll add to my comments from Thursday because I believe that this period in our history is not the time for tuition to be increased. I think about the economic uncertainty that is faced by families and businesses. I just feel that students who don't qualify for financial aid are likely to be caught in the middle, as their families, experienced sudden recurrent decreases in income for the foreseeable future. I think that we should use levers that are available to us to mitigate the financial impact of the COVID-19 pandemic on students and families. And I think there are some differences in basic principles. The administrative leadership team believes that tuition should always increase annually. The principle is that students should share the burden of increased costs from payroll, energy infrastructure, food and housing, and even in health crises, such as the coronavirus pandemic. I do not agree.

"I've consistently voted in favor of tuition increases, but this year is unlike any other in our lifetimes. When a global health crisis evolves into an economic crisis, we should not increase tuition. In this once every 100 year pandemic, the only prices increasing are hand sanitizer and masks. Every other institution, including in the corporate and nonprofit arenas, are holding their prices, because as a recent article I read by McKinsey, stated organizations that 'focus on long term value rather than short term

gain are best positioned.’ I believe we should focus on long term value and not short term gain.

“Today, a student named Barry emailed me, stating that ‘I believe that raising tuition in a pandemic will lock the University of Michigan into a detrimental cycle of tuition increases. These are inconsistent with the rates of growth of minimum wage, which is currently still less than \$10 in the state of Michigan. Many students and families who might otherwise be able to pay tuition have lost their jobs and face uncertainty. My classmates have faced significant unemployment. And I personally have had to make the choice of continuing to work in an unsafe environment or pay my bills, tuition included. Due to systemic shortcoming, many students were ineligible for government aid, like myself and my financial situation is significantly worse now than ever.’

“So, under our current process students such as Barry would reapply using the federal financial aid form, would likely be rejected and then would appeal in order to be considered for relief with the covert financial aid. The number of students who are rejected, then appeal and then the result of the appeal are currently not tracked in our system. So, we have no idea how many students in the past have been rejected on their financial aid form, then appeal and we don’t know if their appeal was granted or not. So, I feel strongly that a more streamlined approach is needed during these uncertain times. I think students should have an automatic review. If they apply for emergency funds, have a temporary furlough death or illness of an income-producing family member in their home, or a new unemployment in their home, this could be a trigger for an automatic review that would not require the family deciding to appeal.

“The administrative team presented a 1.4% tuition increase to the board, which was then increased on the recommendation of a regent to 1.9%, and then presented to us prior to the vote. These budgets, both the 1.4% and the 1.9%, were based on projections, with some level of enrollment declines, a lower indirect cost recovery and an unknown state appropriation. In addition, both budgets included significant cost cutting measures, as well as increased expenses due to the coronavirus. I feel that with all of these incredible uncertainties, it makes it difficult for me to vote to increase tuition at this date.

“In May our board approved \$1 billion line of credit to leverage our assets to borrow money if needed to cover some of these uncertainties around athletics, capital projects and investments. I believe it’s a value statement to not use a line of credit for uncertainties on the academic side of the budget as well. The \$17 million raised with this tuition increase reflects about \$650 per in-state undergraduate student and \$1300 per out-of-state undergraduate and these amounts are closer to the \$2000 to \$3500 range for graduate and professional students. Of course, as already stated, students already receiving financial aid will not pay the sticker price. But again, the students who are not currently getting financial aid are very likely to fall through the cracks. Last Thursday, the president stated that these amounts are de minimis. But, if that’s the case, then the university shouldn’t charge them, particularly if the projections don’t materialize and no refunds are going to be given. So, in closing, I appreciate the efforts of the leadership and my fellow regents and all of these budget discussions. I particularly appreciate the very hard work of the regents, leadership team and the president to generate this \$20 million fund for Flint and Dearborn. This investment is so needed as I discussed in my

comments last week, so I won't repeat them, but it's much appreciated by me. I look forward to our continued work for the betterment of our institution. Thank you."

Regent Ilitch said, "I remain steadfast in believing that raising tuition on Michigan students and their families during this global pandemic, which we haven't seen in over 100 years, is dead wrong. Michigan has record levels of unemployment. Businesses have closed, more will close and the governor recently announced the rest of the state cannot move into phase five. She indicated that she is concerned that for the fifth consecutive day the Michigan Department of Health announced more than 300 newly confirmed coronavirus cases. And as the *Detroit Free Press* reported Michigan is starting to see a rise in cases once again. Raising prices when we have high unemployment, many people in the private sector taking significant decreases in compensation, and people being sick is just wrong. As a nation, we continue to experience unprecedented changes, challenges and volatility because of the highly contagious COVID-19 and its many unknown impacts. There's not enough testing, there's little tracing and no vaccine. And as students come back to campus, what are the tracing and testing protocols? We have not seen these details yet. We have not felt the full effects and consequences of COVID-19. What will our economy look like when the enhanced unemployment benefits are done? What impact will that have on students and families?"

"At the university this past spring and summer, the entire educational experience was remote at full price. The value proposition is just not the same this year. The majority of the fall semester will be remote classes with many experiences and services compromised. The university, from no fault of its own, is unable to offer the same great

academic experience. The administration projects there will be a 50/50 chance we will not even complete the semester, and I believe the odds are even higher. Just recently, it was reported that college students packed a bar in East Lansing leading to 76 new cases of COVID-19, some of these students traveled back to Grosse Pointe and now an additional 30 cases have been reported. This example is only a microcosm of what we will face this fall. We are still in the first wave of this pandemic. When experts talk about a second wave in the fall and the winter, we can't even get out of the first wave. With this uncertainty, why would we raise prices for our students and families during this crisis and pile on with an increase of a housing fee, and a health services fee, a COVID increase during a pandemic. On Friday, I'd heard some describe these fees as de minimis. This word is usually used in a legal sense and it's defined as too trivial, or minor to merit consideration as Regent Ryder Diggs indicated, and more specifically, all of the increases in the amount of dollars for our freshmen. The increase in tuition and the fees totals around \$618 and for out-of-state freshmen the amount is \$1,200 and that goes up in your junior year. If you were walking and found \$618 lying in the street, would you step over it and pass by it because it was de minimis? The sacrifices made routinely by our students and their families is not commensurate with the sacrifices made by the university, students and their families are being asked to sacrifice more.

“Many Michigan universities, including Michigan State University and Wayne State University are not raising tuition during this crisis. MSU President Stanley announced a tuition freeze and stated, ‘In the coming months many families will be facing difficult financial decisions as a result of the pandemic. And, we are doing what we can to ensure students can stay in our Spartan family.’ Roy Wilson, president of

Wayne State University, also announced a tuition freeze and commented, ‘We hope to help others facing these unprecedented challenges, by easing the financial burden on our students.’ As I previously indicated the University of Michigan is a wealthy institution and can well afford to maintain the status quo during this pandemic. We have multiple financial levers we can pull to maintain our current tuition cost. We have over a \$12 billion endowment and our spending policy can be temporarily modified to adapt to this crisis. We also have a \$1 billion line of credit. We have multiple reserves to tap into. And we have many, many opportunities to control costs and spend money more efficiently. And again, as reported by our CFO in the annual financial report, we have planned for this financially, a revenue diversification strategy has been in place through various economic cycles to avoid unnecessary dependence on student tuition and fees.

“Well we are in a cycle, and it’s not a good one. On a personal note, I’m in my 11th year as a regent and I feel privileged to serve Michigan citizens. I do my homework. And I tried to consider the effects on all when reviewing policies of the university. I was raised by parents who are self-made. Nothing was handed to them. They were children of the depression. They learned a strong work ethic and they were frugal. Now some joke that my dad was not that frugal when he was recruiting baseball players, but seriously one of the values that they emphasized was to treat people’s money, as you would your own. They used to call it OPM - other people’s money. Anyone who knows me is familiar with the term. Those are the principles I bring here today and my strong belief that we do not raise prices on our Michigan students and families during a pandemic.

“I have received many letters from students and parents or as we say in business, our customers. I received one such letter from a parent, which I will paraphrase, for the sake of time but I do want it in the record. The message said, ‘Thank you for advocating and supporting a tuition freeze. My son will be in his second year at the School of Engineering, and as parents, my husband and I are doing everything we can to keep him safe. We are doing our part, but are asking the university to find another way to find cost savings and not raise tuition this year due to the economic uncertainty created by the pandemic. Many of us have been adversely affected and I’ve had a loss of income.’ A second letter that I’d like also to be entered into the record is paraphrased, ‘Dear Regents Acker, Brown, Ryder Diggs and Ilitch, I am the parent of a junior at the University of Michigan.’ And then she goes on to write in very bold print, ‘I beg of you to please keep out-of-state families in mind, we are also struggling during this pandemic. My greatest fear is that my daughter will not be able to complete her degree. She is currently a junior at the Ross business school with a focus on film and television. She is also a member on the assembly of Central Student Government. Thank you for your votes. I really felt that you understood the student perspective. And it’s something I appreciate.’

“We cannot fail our students and their families at this most critical and dire moment. So, it’s really for these reasons that I oppose this proposed 1.9% increase in tuition during the global pandemic. Sadly, it reflects a disconnect from day-to-day reality that I believe is just plain wrong. I’d also like to know that President Schlissel you had indicated on Friday that we would review this topic and we would have this meeting in July. And then there was a special meeting called. I do know that I had a conversation with you and you indicated that the budget could be extended from a legal standpoint

without anybody being compromised in any way until a budget agreement was reached. Because of this special meeting we are not able to have public comments. I received a letter that I would also like to be included in the record, ‘I am emailing in my role as president of the Rackham Student Government, on behalf of myself and the vice president of Rackham student government, and in partnership with the president and vice president of Central Student Government. Upon learning of the emergency meeting scheduled tonight for the Board of Regents to vote upon the budget and without time for public comments, we ask that you, the university administration and the Board of Regents, fully consider these tumultuous times and recognize the severity of the hardships every student is facing and strongly urge you to not approve a budget that would serve to only further cause financial distress. Number one, at minimum housing, tuition and student fee freezes to the 2019-2020 rates, if not a reduction in these costs across all three campuses. Number two, removal of the proposed \$50 student COVID-19 fee. Number three, removal of the proposed 1.9% increase in University Health Service fees and for the immediate removal of the \$500 international student fee.’”

Regent Acker said, “As I said last week, I was very concerned about the uncertainty that was going into this semester. I was concerned going forward about what the semester would look like. And, of course, I was concerned about the amount of funding that went to Flint and Dearborn to make sure they could set up programs towards completion and retention. We have spoken several times and I’ve spoken several times with the administrative team. And this evening, I will vote yes on this budget, but I want to explain what it is and what it is not and why I’m voting for this budget with new pledges to eliminate some uncertainty in funding for students whose situations have

changed from COVID-19. There is no tuition increase for Michigan families whose incomes are under \$120,000, and it does have a 1.9% increase on our wealthiest students. The one thing that I will point out is that I do share Regent Ryder Diggs' concerns about statistics when it comes to student aid, and so I will call on the administration over this next year to make sure that they keep the statistics on the new students who are receiving financial aid - how many students apply for it, and who, if anyone falls through this appeals process. I think it's important that we know that information.

"I want to also say what it is not. My vote last week was not a vote of no confidence on the administration. In fact, it is the opposite. It is a challenge to the administration, to President Schlissel and to the chancellors to do what needs to be done to make sure that our university and all of our campuses both survive and thrive through this pandemic. And the one thing that this vote is not is an endorsement of this process. I am extremely disappointed in the process over the last few days. I feel it is extremely important to take public comments. And I've spent much of the last few days, like Regent Ilitch has, reading emails and listening to feedback from constituents. So, I think the one thing that Regent Ilitch and I, as the chair and vice chair, have to really work on is to make sure the process is better going forward with more public input, with more with more conversations about what the budget does, and most importantly, on meeting the one area that we must really improve next year, which is our communication, our communication with the board, but most importantly, about what the budget does and does not do from the university to our constituents. I'm not thrilled with a 1.9% increase. Across the board, of course, that is not the case because as I said, there is no tuition increase for Michiganders who earn under \$120,000. But in spite of my misgivings about

this budget, we have to weigh the set of choices. And ultimately, I've weighed that this is the right budget for now. It is a start towards the pathway that I think we could continue forward for 2021.”

President Schlissel called for a roll call vote with Regents Acker, Behm, Bernstein, Brown and Weiser in support, Regents Ryder Diggs and Ilitch opposed, and Regent White absent. The motion carried and the meeting adjourned at 7:45 pm.