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Remarks to Des Moines Rotary

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Good afternoon. I would like to thank my good friend, Art Filean, for inviting me to attend today's meeting. It is a pleasure to once again have the opportunity to visit with the Rotary Club of Des Moines. Thank you for your commitment to service, your ongoing investment in education, and especially for your program of need-based scholarships for deserving seniors from Des Moines' public high schools. Rarely do I have the privilege of addressing a group so committed to or knowledgeable about higher education, and so supportive of Iowa's Public Universities.

As has been the case for our prior visits, I have prepared remarks to share. But, the most valuable aspect of our time together in my view is the opportunity to dialogue about issues facing higher education in Iowa. So I intend to leave ample time for questions and discussion.

Before I begin, I would be remiss if I did not comment briefly on realignments in the Big 12 Conference. I think the Sioux City Journal editorial board put it best when they said, "Survival of the Big 12 Conference is significant not simply for member institution Iowa State University, but for the state itself. ISU's athletics program benefits immensely by the school's membership in a powerful Bowl Championship Series conference, of course, but having both ISU and the University of Iowa affiliated with BCS leagues translates to advantages for all of Iowa . . . .

They go on to say, "Pillars of Iowa, Regent institutions provide opportunities in education, research and employment, generate economic development, attract investment, leverage influence and earn prestige, impacting life not simply within campus borders, but in fact in every corner of this state and beyond. If one of Iowa's public universities is weakened - whether it be through a drop in donations or research dollars, a decrease in enrollment ... or a forced move to a less-lucrative conference home for its athletic programs - Iowa in turn is weakened.

And they concluded, "So whether you wear cardinal and gold, black and gold or purple and gold, or you don't wear any of those colors but you live and work in this state, the continued marriage of ISU to the Big 12 is something for which you should be cheering."

I would like to take this opportunity to thank Iowa State University president Greg Geoffroy. Along with athletic director Jamie Pollard, he worked tirelessly to achieve the best outcome for Iowa State, and they have succeeded.

Let me turn now to the larger question of how Iowa's Public Universities and Special Schools are faring. It is a mixed bag.

On the one hand, UNI, Iowa State and the University of Iowa have been placed under enormous financial pressure in the last two years by what has come to be called the Great Recession. Although Iowa has fared better than many other states, Iowa's state tax receipts have fallen precipitously.

As a result, from December 1 2008 to June 30, 2010, the State's contribution to ongoing operations at Iowa's Public Universities has fallen nearly

\$153 million. It is important to understand that recurring state appropriations go directly to fund “general education”. Said differently, this is the contribution Iowans make to our most important function – educating our young people.

As a result, in FY 2010, for the first time ever, the State of Iowa’s contribution to the general education budget for Iowa’s public universities fell below that paid by students (41% vs. 53%, respectively).

To be clear, the reduction in recurring funding from the State has been cushioned in important ways by one-time funding, particularly in FY 2010, and to some extent in FY 2011. In FY 2010, the Regents institutions received \$80 million in federal ARRA or “stimulus” funds. And thanks to Governor Culver and our legislature, our universities received a supplemental appropriation of \$31.4 million for FY 10 and \$9.4 million in FY11.

Still as we enter into FY 11 just over a week from now, total state appropriations to Iowa’s Public Universities will be \$143.4 million less than FY09. Said differently, state support for public higher education has been cut more than 20% in roughly 18 months time.

It is difficult to express how momentous a challenge these dramatic cuts have posed for Iowa’s public universities and special schools. However, throughout the financial crisis, the Board of Regents, along with the faculty, staff, and students at our institutions, have worked together to preserve the availability of a world class educational experience for present and future generations. Together we have reduced costs and focused on our priorities. We have worked effectively across the enterprise and with numerous State agencies to consolidate back room operations. And, unlike public university systems in a number of other

states that have bumped tuition levels by more than 15, 20 or even 30%, the FY11 tuition increase we just approved was a mere 6%. By the way, this 6% increase closes less than one-fifth of the gap left by lower state appropriations.

In short, we have, without fail, made students, and their access to an affordable, high quality education, our first priority.

Still, while the institutions have done an outstanding job of managing through these difficult times, the magnitude of the state budget cuts has made it impossible to hold students harmless. Class offerings have been reduced, programs have been eliminated, and class sizes are larger. Unsurprisingly, these steps negatively affect our efforts to preserve the quality educational experience that Iowans expect from their public universities.

The net result is that our students are paying more and getting less. That weighs heavily upon all of us, even if it is only temporary.

I mentioned earlier that the condition of Iowa's Public Universities was a mixed bag. The extraordinarily bright side of this story is that while we are facing significant financial challenges, Iowa's public universities continue to be the pillars of an outstanding higher education system in our State.

- In 2009 faculty and staff at Iowa's public universities shattered a research funding record with a total of \$774.5 million in external funding, an increase of \$77.5 million, or 11%, over the previous year's funding of \$697 million. The University of Iowa now stands in the top 20 for total research funding among public universities, and at 13<sup>th</sup> in National Institutes of Health funding. Also, UI and ISU researchers have received a total of 186 American Recovery and

Reinvestment Act grants for scientific research, totaling nearly \$76 million over the next three to four years, which has created or retained **nearly 900** jobs.

- Last month, Iowa's Public Universities graduated more than 9,500 students. We are very fortunate that nearly 60% of this total, or more than 5,000 students, will work or continue their education in Iowa. The Board of Regents is extremely proud that our universities provide highly educated, productive citizens and leaders for Iowa, the nation, and the world.
- ISU students are showcasing their knowledge and innovative skills in noteworthy national competitions. In October 2009, ISU students competed in the prestigious U.S. Department of Energy Solar Decathlon, a national competition of energy-efficient construction, on the National Mall in Washington, D.C. Students from 11 departments worked for more than 18 months to build and design their energy-efficient, solar-powered Interlock House. ISU represented the only team from the state of Iowa and was one of only 20 teams in the world selected to participate. Team PrISUm, an ISU student-run organization that designs, builds, and races solar powered electric vehicles across the United States, is currently competing with 17 international teams in the 2010 American Solar Challenge from Tulsa to Chicago. The team reached the halfway point of the race yesterday, and we wish them luck for the remainder.
- At the University of Iowa in February 2010, 1,300 dedicated and compassionate—and stamina-filled—UI students completed another record-breaking Dance Marathon, raising nearly \$1.1 million in this annual student

initiative to support patients and their families in pediatric oncology programs at the UI Children's Hospital.

- The University of Northern Iowa participates annually in the Relay for Life, the American Cancer Society's trademark fund raising event where teams from the University and throughout the community raise money by walking around a track for a 12 hour period. The Relay for Life at UNI is one of the premier college relays – the University has been recognized as the top fund raising school per capita for the last several years, and in recent years the UNI Relay has been recognized as one of the top five relays in the nation. The UNI Relay for Life has raised a total of \$380,000 in six years, and its goal for the 2010 Relay was an additional \$80,000. Small wonder than that earlier this month, Volunteering in America named the state of Iowa second in the nation in college student volunteerism.
- And once again in the area of solar technology, the UNI Solar Panthers placed third place overall in the World Championship Intercollegiate Solar Boating competition earlier this month. This is the UNI team's second straight third-place finish, and its fourth year in a row finishing in the top five. The Solar Panthers received a trophy for Outstanding Solar System Design, which is given to the team displaying outstanding knowledge and hands-on skills. This was a very prestigious design and implementation award for the UNI team, as they were up against some of the nation's top engineering colleges.

Yes, we should continue to be proud of Iowa's Public Universities, on every level.

However, we cannot afford to be complacent. Recent successes have been hard won. All the more so because the demand to do more with less is not new to our institutions. The cuts necessitated by the recent financial crisis are only the latest of many years of reductions in State funding to Iowa's public universities. In 1991, 68% of our general education funds came from State appropriations. As I noted earlier, that proportion has now fallen to 41%. In fact, measured in real dollars, 2010 State support to Iowa's public universities and special schools had dropped to the same level as it was in 1997.

Today we are nearing a tipping point. If we continue down the path of further reductions, the quality of our institutions will inevitably be eroded, making us less attractive to both resident and non-resident students, and beginning a cycle of decline.

The State of Iowa cannot afford to continue on the path we have been on for too many years. Once this current financial storm begins to clear, we must chart a different course. Our children's futures, as well as the continued prosperity of our State, depend upon it.

I remind us all today what many of us already know to be true for our own lives and those of our children: Higher education is transformative, not just for individuals, but for our State.

The graduates of Iowa's public universities can boast the same successes that are reflected in national statistics of college graduates. For example, individuals who graduate from college are more likely to pay taxes, and on average, generate far more tax revenue to support needed government services than non-college graduates. They are healthier and are more likely to have jobs

with employer-provided health insurance. They are less likely to be unemployed or poor, and they are less dependent on public resources. They foster higher levels of educational attainment in their children, and they are more likely to volunteer, vote, and make charitable contributions.

The process of educating students at our public universities, and the important innovation associated with this process, creates innumerable opportunities and becomes a significant contributor to the economic development of the State. In FY09 alone, Iowa's public universities contributed more than \$6.4 billion to Iowa's economy.

Iowa's public universities and their graduates are keeping Iowa strong. Accordingly, it is vital that we continue to nurture and grow Iowa's public universities, so that they can continue to create the opportunities that are critical to the State's economy, particularly during difficult financial times.

Going forward, we must preserve and protect the outstanding quality of Iowa's Public Universities. However, we will not protect what we hold most dear by standing put; ironic as it may seem at first blush, we will only preserve and enhance the seminal role of our public universities for Iowa and Iowans by embracing change. The University of Iowa, Iowa State University, and the University of Northern Iowa have not become what they are today by freezing time when they were founded in the 1800s. The Universities have grown with the times and evolved with changing needs and opportunities, and they will continue to do so.

### Transformation Points

As we look forward, I believe that Iowa's public universities must transform themselves in four dimensions:

1. Transform our Operations -- Times are tight, as we all know. The financial crisis will pass, but I don't expect our universities to be flush with dollars any time soon. This means that we need to work together -- across the Regent enterprise -- to identify ways to share back office operations and services. Iowa's public universities and special schools pursue cost savings and efficiencies as an ongoing practice, and particularly so in the last 12 months. But we must remain committed to making our operations as efficient and effective as possible, particularly on behalf of Iowa's taxpayers. Stated bluntly, our goal should be to reduce our cost of operations wherever possible, and to get our level of cost increases in line with the overall rate of inflation for the country as a whole.

2. Transform our Funding -- Let me state clearly, once again, that Iowans and our elected leaders clearly value higher education, and I want to thank this Governor and legislature for their efforts in FY08 - 09 to reverse years of declining State appropriations to Iowa's public universities.

That said, when this financial crisis ends, Iowa, the "Education State," must place investment in education at the top of our priority list. We must begin restoring funding to Iowa's Public Universities. Iowans have always valued education. Going forward the State of Iowa must recommit to its historic role as a consistent and reliable financial partner for Iowa's Public Universities.

But we must also acknowledge the reality of this new economic environment. Even when the financial crisis ends, state appropriations may not fully return to what they once were. To protect quality we will need to become more self-reliant. That will require us to generate more research dollars and private gifts, but it will also mean reviewing tuition levels. Iowa's public universities continue to deliver world class education, research and service at a truly bargain price to our students. Among its 11 peer institutions, the University of Iowa ranks the second lowest in its rate for undergraduate resident tuition and fees. Iowa State University has the same low ranking among its peers, and UNI ranks in the bottom half of its peer group. In addition, in FY 2009, tuition and fees in the state of Iowa totaled 17.2% of per capita income, a slight decrease from 17.8% in the previous fiscal year, and below the national average of 18.6%.

It is vital that we provide our students with the necessary tools and support to return to the days when achieving a baccalaureate degree in four years was the rule, not the exception.

We must also renew our efforts to provide to our neediest students not just access to an affordable, high quality education, but also to reach out to those students, and to welcome and encourage their enrollment at our universities on terms that they will embrace.

3. Transform our Educational Delivery Model -- Our educational delivery model has produced outstanding results over many decades. But it too has evolved. All of our universities are doing exciting work in terms of building learning communities to improve student success, which I fully support. I

believe that an important part of our efforts must be to offer individualized modes of instruction which combine online, classroom and externship opportunities in ways that enable students to advance at their own pace toward their precise learning objectives.

4. Transform our Transparency -- Our institutions need to become models of transparency and openness. We need to measure and report student outcomes, moving over time in the direction of awarding degrees based upon demonstrated competencies rather than classroom hours. We need to evaluate and report on our own performance -- at all levels. Finally, we need to be measured not by inputs, but by the difference we make in the lives of our students and the citizens of Iowa.

If we accomplish these things, then Iowa's public universities will be even more relevant, and have an even more critical role in this great State 10 and 50 years from now than they do today. And, when people speak of Iowa as the education state, they will refer not only to an outstanding pre-K through 12 system, but also to a higher education system that is the envy of the world. To an educational network led by Iowa's public universities, and including Iowa's independent colleges and universities, and community colleges, that educates Iowans even more effectively by becoming a destination for families from around the United States and the world who want a better life for their children.

You see, the future of Iowa is, I believe, inextricably linked to education. If we want to grow Iowa's population, create quality, knowledge-economy jobs, increase family incomes, and improve quality of life in our State, then we need a

sound educational system, from the earliest days of a child's life, and throughout our lives. My ambition for Iowa's public universities is nothing less than to play a leadership role in creating that future.

Appropriately funding Iowa's public universities and special schools should not be considered a short-term burden, but rather a long-term investment in Iowa's future.

I am enormously proud of Iowa's Public Universities, truly among the great teaching and research institutions in our nation, the leadership of Presidents Mason, Geoffroy and Allen, our faculty and staff and students, as well as our outstanding academic medical center, the University of Iowa Hospitals and Clinics.

Our best days lie ahead!

Thank you, once again, for the opportunity to speak to you today. I would be happy to respond to any questions.