

Remarks of President David W. Miles

Special Meeting of Board of Regents, State of Iowa
October 14, 2009

Thanks everyone.

I will call this meeting of the Board of Regents, State of Iowa, to order, and call the role.

This special meeting of the Board has been called to ratify two actions I announced on Thursday, October 8th, and to discuss with our institution heads actions that will be taken to respond to the Governor's 10% budget reversion.

As we meet today, Iowa's public universities and special schools face one of the most difficult financial environments in our history.

The 10% budget cut announced on October 8th reduces state funding by \$8.8 MM from the University of Northern Iowa, \$24.5 MM from Iowa State University, and \$24.7 MM from the University of Iowa.

The cumulative cuts of \$59.8 MM mean that state appropriations to the Regents institutions have declined to levels not seen since 1998. And on a real dollar basis – that is, adjusted for inflation – state funding of Iowa's public universities and special schools has been rolled back at least 18 years, to 1990 or before.

As I have noted on numerous occasions, over the last 18 months, the State of Iowa has been reducing its investment in public higher education over many years. In 1982, more than 77 cents of every dollar in the general education budget came from state appropriations. With this latest budget cut, state appropriations now total only 41 cents of every dollar in our general education budget.

Our institutions have done a remarkable job of doing more with less. In just the past year, our institutions have initiated efficiency and productivity improvements, consolidated or downsized academic programs, improved facility utilization, adjusted teaching and research loads, strictly limited salary increases, deferred open positions, implemented furloughs, and

eliminated positions. The presidents of Iowa's Public Universities and the superintendents of our Special Schools have undertaken comprehensive reviews of their very complex operations, developed new ideas and approaches, and made difficult choices. And, I want to commend and thank the faculty, staff and students of our institutions for their unwavering support during this challenging time.

Our universities have also grown and diversified their revenue sources. Since 2001, funded research is up 50%, and revenues from non-resident undergraduates – through a combination of significant growth in the number of out-of-state students and tuition increases – have risen 235%.

Regrettably, however, resident undergraduate tuition has roughly doubled over the same period.

This latest cut creates an extreme hardship for our universities, but it is truly devastating for the Iowa School for the Deaf and the Iowa Braille and Sight Saving School. While our universities have alternate sources of funding, our special schools do not. The recent cuts will strain the ability of the Iowa School for Deaf and the Iowa Braille and Sight Saving School to maintain vital services to some of our most vulnerable young people.

In this environment, it is essential for the Board of Regents and the Regent institutions to move swiftly and decisively to close this \$60 million budget gap.

To signal clearly the seriousness of the situation, on October 8th I announced a hiring freeze on all general education funded positions and a moratorium on all new building construction projects.

On Monday October 12th, I met for several hours with our executive director and institution heads to evaluate our situation. Based upon those discussions I am asking this board to do the following:

As to the hiring freeze, I ask this board to approve its continuation until such time as the Board receives and approves action plans from each institution head for reducing their budgets by the required amount in FY 2010. I am asking the institution heads to submit their plans for our October 29th meeting.

Do I have a motion and a second? Discussion? I will call the role.

As to the construction moratorium, I want to underscore that this measure was always intended to apply solely to new projects, not to those in process. I underscore this to make it clear that construction projects in process should not, and in my view, are not, at risk of being discontinued. The cost to the Regent enterprise, in terms of unrecoverable expenses, as well as uncertainty created in the minds of those that bid on our projects, would simply be too great.

Having now discussed this measure with Board staff and the institution heads, and since each new proposed construction project must be approved by the Board of Regents in advance of the commitment of funds, I am withdrawing the construction moratorium effective with this meeting.

I would offer this caveat, however. Each new construction project creates an ongoing obligation to pay operating and maintenance costs, often those expenses must be paid from our general operating budget. Now, more than ever, this Board will be scrutinizing the impact of proposed new construction projects on the ongoing operating budgets of our institutions.

Now I would like to turn our conversation to the question of what actions we will take to address the \$60 MM budget cut. And I'll begin by suggesting that whatever steps we take, they need to be calculated (1) to ensure continued access to our universities and special schools for qualified Iowans, regardless of financial ability or need, and (2) to protect the outstanding quality of the education, research and service at our institutions.

At the conclusion of our discussions each institution head will be asked to work together with the Board office staff to prepare a plan to close their portion of the budget gap.

To kick-off the discussion, I would like to ask the institution heads to consider in their planning each of the following:

1. Temporary salary reductions: Please consider whether and to what degree salaries might be reduced on a temporary basis, as well as whether salary reductions should be less for lower income workers.
2. Temporary lay-offs: I urge the institution heads to think creatively about ways that temporary lay-offs may be used in such a way as to reduce the number of permanent lay-offs required. In this way we will be able to preserve jobs.

3. Benefit revisions of a temporary or permanent nature: Please examine the potential for temporary reductions to retirement contributions, as well as other temporary or permanent revisions to our benefit programs.
4. A tuition surcharge for the spring semester of 2010. Despite the challenges we face, we must not forget that Iowa families face difficult circumstances of their own. Thus, any surcharge we might consider must be a very modest one; still, we need to consider the possibility.
5. Postponing non-essential deferred maintenance and repairs.
6. Where we might refocus our efforts in a significant way and/or potentially eliminate programs.
7. Permanent lay-offs: Where it makes sense for the future of our institutions, or, to the extent that other measures are not successful in closing the gap, we must consider permanent lay-offs.

In reviewing all of these and other options that we discuss today, we must work collaboratively and in good faith with all of our employees, the bargaining representatives of certain employee groups, the Governor and the Legislature, and our students, to seek to arrive at the best solutions under these most challenging circumstances.

I also urge that, to the extent possible while protecting the priorities of our institutions, the pain of the actions required today be shared across all employee groups.

Now what other ideas do Regents or our institution heads wish to raise for consideration?

One final item: I would like the institution heads and my fellow Regents to give serious consideration to the potential for a tuition increase in excess of the median of HEPI for FY 2011.

As points of reference only, I note that to recover the nearly \$60 MM that Iowa's public universities are losing through the 10% across-the-board cuts, tuition increases for all classes of students would need to be raised by 8.4%. If, in addition to the replacing the \$60 MM, it were also necessary to replace the \$80 MM in one-time ARRA funds, tuition would need to increase

21.5%. These figures would not result in increased funding, but rather just keep the Regent institutions flat year-over-year from FY 2010 to FY 2011.

I want to be clear that I am not advocating and would not support increases of this magnitude. However, something in excess of 2.7% may well need to be considered.