

# **DAVID W. MILES**

## **Remarks re FY 2010 Budget**

**April 30, 2009**

Thanks Patrice. Before we go to the presentations by our institution heads, I would like to share a few observations.

As the governing board for Iowa's Public Universities and Special Schools, we find ourselves today in a peculiar position. On the one hand, over the last 18 months, fully \$86.4 million has been eliminated from the State's general university appropriation to our institutions. Without other assistance we would be looking at drastic cuts – broad program eliminations, far-reaching salary reductions, and substantial lay-offs – indeed, a potentially crippling blow.

On the other hand, due to the American Reinvestment and Recovery Act, and the wise action of our Governor and Legislature, \$80 million of the \$86.4 million will be restored through the use of fiscal stimulus dollars in FY 2010. This before we take into account research opportunities made available under ARRA, and significant additional need-based aid for our students through enhanced Pell Grants, work study, Hope Scholarships and Perkins loans.

As a result, at a time of great hardship for too many Americans, Iowa's Public Universities and Special Schools have much to be grateful for. Our resources are diminished, but at least for the present, not dramatically so. We have been given the opportunity to make vital adjustments within our institutions without inflicting irreparable harm to our ability to provide quality, accessible education to our students, transformative research to our State and to the world, and essential services to Iowans.

Indeed, some may look at the Regent institutions and conclude that we “dodged a bullet”. That, thanks to the priority placed on higher education by our national and state leaders, we have been spared. That business as usual can continue.

To those who see our present good fortune, and conclude that the day of reckoning will not come, I say: Nothing could be further from the truth. Do not be deceived. What we have been granted is an opportunity to prepare for the more challenging times that lie ahead. To make the

difficult choices, and implement essential changes, with, yes, less pain than would otherwise have been the case. But make no mistake, change must come; hard choices must be made; and difficult actions taken.

Lest we forget, the demand to do more with less is not new for Iowa's public universities and special schools. The current cuts in state appropriations are notable for their severity, not their existence. Turn the clock back to 2001, and it becomes clear that Iowa's declining investment in Iowa's Public Universities and Special Schools is a trend, not a one-time event in response to our financial crisis.

In 2001, State appropriations to support the general education budgets of Iowa's public universities totaled \$549 million, or 64% of our general education budget. Even at that time, the proportion of our general education budget from state appropriations had fallen from 77.4% two decades earlier.

From 2002 through 2007, general education appropriations plummeted, hitting a low of 48.0% in 2007.

Thanks to the leadership of this Governor and the Iowa Legislature, funding was restored to 49.1% in 2008, only to fall back to 2007 levels once again once the 2009 reversions took effect.

In real dollar terms, between FY 2001 and FY 2009, State appropriations to the general education budget of Iowa's public universities and special schools had fallen by \$94 million.

Setting the one-time, Federal ARRA funds aside, in FY 2010, the State of Iowa's contribution to the Regent's general education budget amounts to only 42.8%. For the first time in history, tuition dollars comprise more than ½ of the general education budget and are a greater source of funding than state appropriations.

Even before this watershed event, the impact of decreasing state support on our institutions and our students was clear:

- Undergraduate resident tuition has doubled. And, while our tuition levels remain below our peers, this is a significant burden for our students and their families, and has led to a significant increase in student debt levels for our students.
- 625 State-supported employees have been reduced over the last 8 years, the majority of whom were teaching faculty.
- And, faculty and staff salaries are below peer median levels, which reduces our competitiveness in recruiting quality faculty for student instruction.

In FY 2010 our institutions are spared the most draconian cuts due to federal stimulus dollars. But let's not be fooled by the illusion of prosperity.

For years the Regent institutions have been asked to do more with less. And, we have -- through productivity improvements, attracting additional research funding, and unfortunately, by increasing tuition costs to our students. But no one should assume that the ability of our institutions to absorb these reductions is endless. At some point, it becomes difficult to avoid damaging the core quality, affordability and/or access of our institutions. At some point one can no longer do more with less. What is left is indeed "less".

In FY 2010, even with stimulus funds, our public support will be lower than our initial FY 2009 budget. But what we must not forget is that ARRA, or stimulus, funds, are one-time funds. \$80 million allocated to Iowa's public universities and special schools in FY 2010 will no longer be available in FY 2011.

That is why we have demanded of our institution heads that they think strategically for the long-term, not just for FY 2010. It is essential that they and we make the difficult decisions and take action in the coming year, so that our institutions are prepared to not just survive, but to prosper in the days ahead. We cannot live for today, and place the burdens of tomorrow on our students and their families. Attendance at our public universities must remain affordable. The dream of a quality higher education must remain alive for all Iowans, not a select few.

Our institution heads, with the board's support, must identify on-going budget efficiencies, restructure for increased effectiveness, reduce our base budgets, and grow reliable sources of

recurring revenue, including tuition, sponsored funding and private support. And they must do so in a way that ensures that even our neediest students have continued access to a public higher education.

To do this, they must use the one-time stimulus money we receive in FY 2010 in ways that reposition our institutions, but do not result in unsustainable continuing commitments after the ARRA funding expires. In that effort, they will have this Board's unwavering support.

Make no mistake, we will seek to spend money quickly, but prudently, in order to protect and create jobs, but we will also begin taking the necessary steps, even in FY 2010, so that our institutions are secure and we can serve our students, long-after the stimulus moneys are spent.

The path before us will be difficult. Sacrifice from all quarters will still be required, even in the near term. But I have every confidence – not just in our leadership, but in each and every member of our staff, our faculty, our student body and their families, and in the lowans who so value our public universities and special schools – that by working together we will continue to make our institutions fine examples for the higher education community across our nation and beyond.

I will now turn it over to each of our institution heads for their remarks.