



University of Missouri System

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## Office of the President

### **Stephen J. Owens Testimony House Appropriations-Education Committee (Feb. 16, 2011) and Senate Appropriations Committee (Feb. 17, 2011)**

*Accompanying slides are available at: <http://umurl.us/F39Ld>*

Thank you, Mr. Chairman and members of the committee. For the record, I am Steve Owens, interim president of the University of Missouri System. With me today is Nikki Krawitz, vice president of finance and administration for the university system. We appreciate the opportunity to speak to you today about the university, and particularly about its unique role in the state.

To begin, it is important to note that we have a mission different from any other institution in the state. We have a four-part mission of teaching, research, outreach (through statewide health care and Extension) and economic development. No other institution, public or private, has the same breadth of obligations and responsibilities to the citizens of Missouri.

I have provided a few slides for you to review as I make my comments. Please direct your attention to **Slide 2**, which provides a pictorial representation of the University of Missouri's statewide impact.

The University of Missouri is a system with four campuses, a health system, an Extension presence in every county in the state, and 10 research parks and incubators. We have 70,000 students – which is approximately 45% of all undergraduate students at public four-year institutions in the state, 64% of the state's graduate students and the overwhelming majority of professional school students.

On **Slide 3**, you will see our impact on employment in the state. We are the second largest nongovernmental employer in the state, with about 28,000 employees. Last year we paid our employees \$1.2 billion in salary and wages, and in turn they paid \$47.6 million in payroll taxes to the state.

Before discussing more University specifics, I would like to point out a few general observations about higher education in Missouri that are a result of a statewide survey conducted in the fall of 2008. The survey respondents consisted of over 900 registered voters, 30 years or older in age.

In **Slide 4**, you will see a bar graph representing the issues most important to Missourians. Missourians ranked support for higher education 3rd most important – behind only jobs and health care. The survey also revealed that three out of four Missourians indicated they would support greater state investment in higher education, either through higher taxes or reallocation of existing resources. And 90% of those surveyed agreed that the University of Missouri is an important economic contributor to the state.

In fact, **Slide 5** shows how the University is a key economic driver in the state. In 2010 UM attracted \$371.5 million in research, which was funded primarily from outside the state, but spent within the state. The University was issued 34 patents and filed 57 new patent applications. We created seven startup companies based on UM technologies and we brought in \$10.1 million in licensing income.

We remain committed to continuing and increasing our impact on the state and to being a solution to the state's economic challenges.

In **Slide 6**, you will note a number of recent actions we have taken to help the state add jobs, and keep education affordable and accessible. These actions range from holding tuition flat for two years to the expansion of eLearning programs.

The program review exercise we recently completed in conjunction with MDHE will result in 35 degree programs eliminated or combined across our campuses. This represents about half of the total number of programs recommended for elimination statewide. At UM we were already engaged in significant program review for the past several years. In fact, we had already voluntarily eliminated 29 degree programs before the most recent MDHE review began.

We are also exploring shared services initiatives with other four-year higher education institutions in the state. And this effort may result in a purchasing consortium that can better leverage negotiated contractual relationships. These actions illustrate how the university is a good steward of taxpayer dollars.

In **Slide 7**, we give a few additional examples of our stewardship – we have frozen salaries and kept a number of positions unfilled for the past two years. We now require our employees to contribute 1 to 2 percent of their salary to their pensions, unlike their state counterparts. And, last year alone, we cut \$61.5 million from our operating budget through payroll reductions, cost efficiencies, and deferred maintenance.

We also saw significant changes in University of Missouri Extension last year when the organization restructured outdated programming to free up funds to focus on top priorities. As a result of these changes, the MU Extension budget this year reflects a reduction of nearly 20 percent, with a renewed focus on jobs and economic development.

**Slide 8** is an important slide. It shows how our support from the state has decreased in nominal and real terms over the past decade.

2011 state funding for the University of Missouri was below 2001 funding levels in nominal terms (\$427.9 million in FY11 and \$442.2 in FY01), and 2011 state funding currently stands at a mid-1990s funding level in inflation-adjusted dollars. The fact is, in Fiscal Year 2010, the state of Missouri ranked near the bottom of all states in per capita funding for higher education.

During this same decade of declining state support, UM has added 17,000 students to its annual enrollment – more than the size of two of our campuses. According to MDHE, over the last 10 years, nearly 70% of the growth in student enrollment at Missouri public four-year institutions has occurred at the University of Missouri. By adding 17,000 students with no additional support from the state, clearly the university has been doing “more with less.” But this trend cannot continue unabated.

**Slide 9** gives a few examples of how the lack of state support is already threatening our ability to provide a world-class education at an affordable price. We have seen an increase in class sizes, which affects the amount of individual attention each student receives from faculty. It also limits the amount of time faculty can devote to research and innovation. We have capped enrollment in high-demand programs because they are at capacity, either because we are out of space or we do not have enough faculty to teach them. We must defer maintenance on our laboratories and classrooms. Currently UM has over \$1 billion in deferred maintenance and modernization needs.

As you consider your appropriations recommendation, I ask that you keep in mind the important role research plays in our mission, and the state’s welfare. Top-quality research helps us attract and retain quality faculty and students. In addition, researchers are like small businesses. They attract outside funding that comes to our state. Last year researchers used more than \$371 million in external research funding to pay salaries for themselves, other faculty, researchers and staff. This funding also enables undergraduate and graduate students to uniquely experience the highest quality educational opportunities in a cutting-edge research environment. Research has a huge economic impact on our state, just like a successful business does in your home town.

And, through research, we are making discoveries that impact your lives in very real ways –from radiopharmaceutical drug development and new treatments for cancer and heart disease, to methods that help plants grow with fewer pesticides and higher yields.

But the increasing demands of record enrollment make it difficult for many faculty to find the time to compete for research grants.

On **Slide 10**, we show how University of Missouri faculty salaries rank in comparison to our peer institutions. On all campuses, we rank at or near the bottom. Should this trend continue, we will lose our best and brightest faculty to other universities outside Missouri, and the quality of our educational and research programs will suffer as a result.

This brings me to **Slide 11**, which gives highlights of the University of Missouri’s proposed Fiscal Year 2012 budget. As you know, the governor has proposed a 7% cut to each higher education institution’s operating budget. This is on top of a 5.2% cut last year. In the University of

Missouri's case, this two-year cut of 12.2% is on top of last year's expenditure restrictions to programs such as Telehealth and the zeroing out of programs such as MOREnet.

Looking at the governor's overall budget proposal by department, higher education has the highest general revenue reduction of any state department – totaling more than \$90 million less for higher ed than last year. The core budget reductions to higher ed, combined with reductions to financial aid programs, result in nearly a 10% cut, the third highest percentage cut of all departments this year.

As a result, the University of Missouri Board of Curators recently voted to raise tuition an average of 5.5% across our campuses. We will hold back 20% of this tuition increase for financial aid for our neediest students. This is on top of the \$245 million in financial aid that we already provide out of our own budget. The Columbia campus alone awarded more in financial aid (\$143M) than the entire appropriation the state provided for Access Missouri, Bright Flight and the A+ programs combined.

The 5.5% tuition increase, coupled with the proposed 7% state appropriation decrease, will still leave a funding gap of \$42 million for our university. This likely means more reductions in personnel and a growing deferred maintenance and repair backlog.

We will continue to be good stewards of taxpayer dollars and look for additional ways to increase efficiencies – but we cannot do so at the cost of the quality education expected of the state's public research university.

In closing, I thank you for the opportunity to testify today, and thank you for your support of the University of Missouri and all of higher education. I will be happy to answer your questions.