

Appropriations Committee testimony

James B. Milliken, president, University of Nebraska

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Chairman Heidemann and members of the Appropriations Committee, my name is James B. Milliken, and I am president of the University of Nebraska. Thank you for the opportunity to provide information about the university's budget request for the next biennium.

I want to first acknowledge that we appreciate the very difficult task the committee faces this year, as the state, national and global economies continue to suffer and Nebraska's revenue projections fall. Today I ask you to support the University of Nebraska, not because we deserve special treatment in this difficult economy, but because I think the University is an important part of the solution for Nebraska.

Two years ago when I testified in front of this committee, I said that the University is in a position to serve Nebraska in a way that no other institution or investment can. Not only do I still believe that today, I believe our role is now more important, and more necessary, than it has ever been.

When faced with great challenges, a natural instinct is to pull back and try to get by. I believe, however, that to the extent we are able, we should try to maintain our efforts to improve Nebraska's prospects for the future – by investing in an institution that has the power to help our state grow stronger economically – to *create* jobs, to help our citizens *increase* their earning capacity through education, and to conduct research in critical areas such as water, transportation and energy that can help *spur economic recovery*.

As the president said a week ago in his address to Congress, “The answers to our problems don't lie beyond our reach. They exist in our laboratories and our universities; in our fields and our factories; in the imaginations of our entrepreneurs and the pride of the hardest-working people on Earth.”

The University of Nebraska was created 140 years ago to serve the people of our state. The economy at the time was considerably worse than it is today, and certainly did not support the creation of another public institution. But our ancestors – yours and mine – had the foresight and the courage to undertake this venture because they believed that a strong public university was in the long-term best interest of the state – and they were right. Education is and always has been the key to a better quality of life.

Today, our goal is to be the best public university in the country – measured not by a magazine poll, but by the impact we have on the lives of our citizens. That is why we exist. And that is why we ask for your support.

History is a great teacher, and we have seen – just in the last eight years – how important it is to have a stable level of state financial support for the university. The correlation is undeniable: When state support declined, as it did in the early part of this decade, tuition increased dramatically, enrollment dropped, academic programs and services to the state were eliminated and jobs were lost.

When state support for the University is stable, as it has been the past four years, tuition increases have been moderate and predictable, enrollment has increased every year, private support has reached record levels, people across the state have benefited from our research and outreach, and we've been able to keep more top students in the state and provide them with an excellent education.

We've also done what you charged us to do through the LR 174 Taskforce, and increased nonresident enrollment, bringing more talent – and revenue – into Nebraska.

These accomplishments did not happen by coincidence. With your support, we have worked hard to put the University of Nebraska in a very strong position. Today, enrollment is the highest it has been since 1996, with increases last fall on every campus and in every category – undergraduates, graduate and professional students, out-of-state and international students, and minority students.

On every undergraduate campus, the incoming freshman class last fall had the highest average ACT score in history. Almost half of the students who graduate in the top 25 percent of their Nebraska high school class now enroll at the University of Nebraska. They enroll not just because we are affordable, but because the quality of education we offer makes a University of Nebraska education a tremendous value.

We have also become extremely competitive in use-driven research, and we are gaining a national and international reputation in some key areas that are very important to Nebraska – water, agriculture, alternative energy, highway safety, rural health, cancer and early childhood education. According to the Bureau of Economic Analysis, every \$1 million of academic research and development supports 31 jobs – so our R&D expenditures last year, more than \$330 million, translate into more than 10,000 Nebraska jobs. At the same time, every campus is undergoing a physical transformation with new research facilities, residence halls and classrooms—most funded by private or self-generated funds. This activity brings immediate benefit to the Nebraska economy while even more importantly laying the foundation for a more robust innovation economy in the future.

Private support is not a substitute for state support – but it takes a tremendous burden off of the taxpayer. Last year, the Foundation transferred a record \$130 million to the university for scholarships, program support, faculty support and facilities. In the last four years alone, private funds have built the Ken Morrison Life Sciences Research Center at UNL, the Michael Sorrell Center for Health Sciences Education at UNMC, the Criss Library addition at UNO and two major medical research towers built with the generous support of donors. And those are just a few examples. Donors tell us that a major reason they invest is our growth and momentum; they want to invest in a winner. I would be quick to add, however, that we do not expect to see this level of private support this year, or probably for the next couple of years.

None of us knows how long the current economic downturn will last ... but I believe that if we can maintain a strong public university, when it ends – and it *will* end – Nebraska will be in a far better position than other states that are diminishing one of their greatest assets by cutting budgets, reducing programs and eliminating jobs.

Let me briefly review our budget request. As you know, our request was developed last spring, when the economic picture was significantly different, and we recognize that it is beyond the state's means to fund it completely. I would ask, however, that you strive to provide a level of funding that will help us meet our mandatory costs – required salaries and benefits, utilities increases, building operation and maintenance costs – to sustain the positive growth and momentum that the university has enjoyed for the past several years.

Approximately 80 percent of our operating costs are in personnel – salaries and benefits for almost 14,000 faculty and staff. The request we submitted last fall included a preliminary salary increase of 2.5 percent per year, as the governor requested. We now have a little more information in this area.

In mid-February, we received a ruling in our collective bargaining negotiations with unionized faculty at UNO and UNK. At UNK, the University's recommended faculty salary increases of 2.9 percent in 2009-10 and 2.5 percent in 2010-11—the same as the agreement the Governor reached with state employees—were adopted. In the UNO arbitration, the same recommendation was rejected, and an average salary increase of 3.8 percent was awarded for each year of the biennium as well as a new, potentially expensive life insurance benefit that is tied to annual salary. We have until March 15 to appeal this decision. The impact of a 3.8 percent increase in each year, compared to increases of 2.9 and 2.5 percent, is about \$1.1 million, just at UNO. The life insurance benefit, if extended to all employees, could add \$2 million to this budget.

With the salary situation still unresolved, we have analyzed our budget based on several assumptions. These include:

- Salary and related benefits increases of 2.9 percent in 2009-10 and 2.5 percent in 2010-11, matching what the state is planning on;
- Health insurance increases of 10 percent in each year;
- Utilities increases of 8 percent in each year;
- An increase in need-based aid to fund the promise we have made to Nebraska families with our Collegebound Nebraska program;
- O&M costs for new buildings;

- And, ongoing O&M costs for the student information system that we share with the state colleges.

With just these essential costs covered, our analysis shows that, even with a 1.5 percent increase in our state appropriation, as this committee originally recommended, we will have a shortfall of \$45 million over the biennium, before factoring in any increase in tuition. If we assume a tuition increase of 5 percent for purposes of discussion, which is roughly the average increase over the last four years, the shortfall is still more than \$23 million. And this does not take into account the additional shortfall on campuses required to pay more than 2.9 or 2.5 percent.

What would the impact of this be on personnel? If we assign 80 percent of the shortfall to personnel, the result is the elimination of somewhere between 300 and 600 good jobs across the university.

The impact would not be on personnel only, of course. Reductions in personnel would necessarily be tied to reduction or elimination of programs that serve students and that provide outreach to people across Nebraska. I am not in a position today to tell you which programs might be affected. We are currently engaged in processes on each of our campuses to determine budget reductions or reallocations. But there is no question that the depth of cuts in programs and personnel depends on the level of state support.

I would turn your attention briefly to four other components of our budget request. The first is the new Student Information System that was selected last summer and is now being implemented by the university and state colleges. This is an historic partnership, and one that serves the state exceptionally well. Last year, the legislature appropriated \$20 million in one-time costs for the purchase of the system. We advised you at that time that additional funds would be required, both for the implementation of the system and for ongoing maintenance costs. Our budget request includes a one-time \$10.3 million investment in this important system, and I would ask your consideration in providing that one-time funding. These systems are expensive, complex and difficult to implement under the best of circumstances. They are also essential.

The second item is our capital request, which includes \$17.5 million to fund the construction of a new College of Nursing facility in Lincoln. The college is currently renting space in a former department store a few blocks from here, which is inadequate both in size and in the quality of the teaching space. We are turning down some 60 percent of applicants to the Lincoln nursing program – highly qualified applicants who would fill much-needed jobs in nursing and nursing education. This facility will be built on UNL’s east campus, adjacent to the College of Dentistry, allowing those two UNMC colleges to share facilities and resources. It represents an excellent return on investment, allowing us to grow enrollment in the program by 23 percent and to have an impact on Nebraska’s growing shortage of nurses.

We are also seeking approximately \$1.5 million over the biennium to cover the operating and maintenance costs of a new College of Nursing facility in Norfolk, which will be built with private funds. This funding is the subject of LB 37, and I have testified separately on that bill.

The final item is a request for \$9.7 million for a new educational center at the Nebraska College of Technical Agriculture in Curtis. The center will replace inadequate classrooms, provide student commons space and accommodate new program offerings. The Education Center will house Horticulture/Agronomy Systems and Veterinary Technology Systems programs.

In accordance with legislative intent to provide state funding, the College has secured \$1 million in private funds to offset the total project cost. This funding has come from the Nebraska agriculture industry, commodity groups, alumni and friends who support NCTA's new vision of preparing students to return to their rural communities as agriculture and business enterprise owners. This is critical to revitalizing rural communities that support production agriculture throughout Nebraska.

Last week I wrote to all faculty and staff at the university, giving them some information about the state's fiscal condition and my approach to reallocating and reducing the University's budget. On an ongoing basis, we are working to reduce our costs and to save money in this fiscal year that can be carried over to help us manage the next biennium.

Over the next two months, we will all have additional information to work with in making decisions about the university's budget. As we prepare to make difficult decisions in the coming weeks and months, we will follow several basic principles:

- First, we will be guided by the priorities established in our strategic framework, as Regent Schroeder outlined; the first of those is affordable access, and we will do everything possible to maintain an affordable cost of attendance and adequate need-based aid. This year we were able to offer our Collegebound Nebraska program to more than 4,300 students. This program promises Nebraska families that if they meet the federal financial aid guidelines to qualify for a Pell Grant, they will pay NO tuition at the University of Nebraska. We will continue our efforts to expand this program to more families that are just beyond Pell eligibility and our efforts to increase the college-going rate in Nebraska.
- Second, we will be true to the mission of the university and each of the four campuses; Nebraska law and Regents policies are consistent in stating that the university's highest priority is undergraduate education, followed by graduate and professional education and research, and then by service or outreach to our citizens. Each campus has a unique mission, and our decisions will reflect those missions. We are will look for ways to avoid unnecessary redundancy in programs as well as business and support services.
- Third, when cuts are necessary, preference will be for vertical, not across-the-board reductions. We have followed this principle in the past and believe that it is better to eliminate an entire program, as painful as that can be both within the university and to our constituents, than to weaken the entire university with horizontal cuts affecting all programs.

- Fourth, we will continue to invest in our academic priorities, including our programs of excellence. This may include funding new positions and new programs, if they are essential to achieving our goals.

In closing I want to thank the members of the committee for the important work that you are doing in service to our state. In his letter to shareholders last week, Warren Buffett wrote about the opportunities that are created in tough economic times. While I understand your circumstances differ from Buffett's. I encourage you to consider the long-term benefits to the people of Nebraska by investing in a strong public university. Thank you.

I would be pleased to answer any questions.