

President Mark Schlissel
House Appropriations Subcommittee on Higher Education
March 2, 2017

Chairwoman LaSata and members of the House Appropriations Subcommittee on Higher Education, thank you for the opportunity to speak with you.

It's a pleasure to see all of you today.

I am honored to be here representing the University of Michigan.

The recommended increases in state support in next year's budget for U-M's three campuses continue the recent progress of re-investing in public higher education in our state, which as you know has been crucial since 2011.

I hope we can work together to continue and even enhance this positive trend – as when adjusted for inflation, funding still lags behind the 2011 levels, and considerably below the high of 2002.

My commitment to you is that the University of Michigan will continue to work as hard as we can to foster innovation and provide the human capital that will power our state's and our country's future.

That promise begins with our students, and I am proud to report that demand for a Michigan education is stronger than ever.

We received more than 55,000 applications for undergraduate admission, which was an all-time record and also the ninth consecutive year that applications have increased.

Our worldwide reputation for excellence continues to attract the very best students to Michigan from all parts of our state and nation and around the globe. We do not see that trend abating.

At the same time, we have grown and diversified our sources of revenue, while committing our university to significant cost containment and improved operational efficiency to increase our value for the citizens of Michigan.

Since the 2004 fiscal year, we have reduced or avoided recurring General Fund expenditures totaling \$337 million. That amount now exceeds our state appropriation and has been achieved through small and large changes in our how we run the university.

This focus has enabled us to avoid program cuts and keep tuition increases modest throughout a challenging economic period for the state of Michigan.

In fact, U-M is the only public university in Michigan to provide financial aid that covers 100 percent of the demonstrated financial need of in-state students, a commitment to these students that we take great pride in and has been place for many years.

We have approved double-digit percentage increases in our financial aid budget in nine of the last 10 years.

And the net cost of attendance has not grown in seven years for most students with financial need.

Our excellence in research is improving our bottom line as well while at the same time helping drive the state's economy.

Last year, we set a new record in research expenditures, at \$1.39 billion, second amongst all universities in the country.

This level of productivity is a direct result of the talent of our faculty researchers and their trainees.

The number of research awards increased by 3.6 percent, and the value of these awards increased by nearly 15 percent.

The majority of these awards comes from the federal government to support our research but in so doing stimulates the economy and creates jobs right here in Michigan.

Sponsorship from industry increased as well, due to our ongoing partnerships with 1,200 companies, almost all in Michigan.

Michigan research also had a record year in terms of commercializing our innovations.

We signed an impressive 173 license and option agreements with companies seeking to market our discoveries.

That included 12 licenses issued to startup companies that launched from the U-M Tech Transfer Venture Center.

The year's startups included ViewPoint Therapeutics, which has developed a potential eye-drop therapy for cataracts; Intelligent Vision Systems, which has created an ice-detection system for vehicles and planes; and Movellus, a company working to engineer semiconductors for cloud computing.

All but one of our startups from FY 2016 are headquartered in Michigan.

We are also helping other institutions in the state advance their own cultures of innovation through the "Train the Trainers program," which is funded by the Michigan Economic Development Corporation and managed by U-M's Center for Entrepreneurship.

The training helps others teach their inventors, entrepreneurs and researchers how to accelerate commercially viable innovations.

And one final point on our fiscal management: Our long-term debt again earned the highest credit ratings available from both Standard & Poor's and Moody's Investor Services, and U-M is one of only seven public universities in the country to maintain both of these ratings.

These ratings help us manage costs associated with prudent debt strategies.

I have spoken previously about the University of Michigan's strong partnerships throughout the state that are a vital component of our mission to serve the people of Michigan.

We are able to unite different sectors to conduct research that addresses big problems.

- Our 32-acre MCity autonomous vehicle test environment has brought together multiple government and industry partners to examine virtually all of the factors that will influence how society adapts to driverless cars. Some of you have visited and I invite all to see this unique research environment. It is a foundational building block for the state's mobility initiative, Planet M, and helps to position us for the connected and autonomous vehicle future that is not very far away.
- U-M is a founding partner in M-Foresight, a federal initiative with several university and industry collaborators, to identify promising emerging technologies in advanced manufacturing across sectors that include pharmaceuticals, nano-materials and bio-manufacturing.

These examples speak to U-M's strength as a public research university, with academic excellence across so many different disciplines.

Last fall, we were proud to launch an initiative that has similar potential to impact our society.

It's called Poverty Solutions at the University of Michigan.

It's an initiative to develop and test real-world programs to promote economic mobility and alleviate poverty.

A key distinction is that the initiative's research efforts are done in collaboration with private organizations and local governments in Michigan communities – where they can do the most good.

Poverty Solutions reflects the greatest values and strengths of U-M.

Major societal problems as complex as poverty don't have a single cause; nor will there be a single solution. As policymakers, you are well aware of the challenges and the need for innovative strategies.

At U-M, we can address that complexity and bring to bear the intellectual capacity of 19 schools and colleges, a world-class health system, and several nationally renowned institutes.

We know that deficits in transportation, education, health care, or housing all can contribute to poverty, and we can look at those issues, their causes and possible solutions in ways that few other universities can.

The Poverty Solutions team is also developing an educational program that will include new opportunities for students at all levels.

The goal is to provide the education and community-based experience that will train the next generation of leaders who want to end poverty.

One project under the initiative will test a sustainable funding model for community health workers in the Detroit neighborhood of Cody-Rouge, in partnership with a local agency. The challenges of reaching people who need help are different in farther-out areas than in a central city.

As part of the workforce with ties to the local community, community-based health workers are recruited from and work in their home neighborhoods.

In addition to providing jobs within those neighborhoods, community health workers can improve health outcomes for community members, lower costs for health care and insurance providers, and increase economic attainment in a positive cycle that works against poverty.

Another example is our Summer Jobs for Youth Success program.

This effort will place youths in a variety of summer jobs across U-M and includes training for the employees and their supervisors.

We will study the program's outcomes to better understand how the nature of work impacts youth's lives.

This is the first program of its kind to be conducted by a major university. The goal is to measure how well it works and see if it affects outcomes like high school graduation, finding permanent employment, and what the students do after leaving school.

We will also translate those findings to inform youth jobs programs developed by government agencies, other kinds of large company job sites, and the non-profit sector.

A project through our School of Social work aims to better understand the financial lives of low-income rural households.

Poverty in rural communities is a persistent – but understudied – problem in America.

This project will examine key determinants of financial instability and hardship along with the nonprofit resources available in rural counties.

Poverty Solutions is led by faculty member Luke Shaefer who co-wrote "\$2 a day—living on almost nothing in America."

During my nearly three years at U-M, I have enjoyed discussing the importance of Michigan's public universities as I meet with legislators, community leaders, students, prospective students and alumni throughout our great state.

Our state's 15 public higher educational institutions serve a wonderful mix of students.

60,000 of them study at the University of Michigan's three campuses.

This year we are celebrating the University of Michigan's Bicentennial, and our 200 years of excellence and impact in our great state.

From the moment U-M was established in 1817, our institution was designed to be a resource whose sole purpose was enhancing the public good.

That moment came on Aug. 26, 1817, when Michigan's Territorial Legislature approved an act to establish the University of Michigan.

The act contained language that provided for the creation of "colleges, academies, schools, libraries, museums ... and other useful literary and scientific institutions, consonant to the laws of the United States of America and of Michigan."

Since then, public impact within our state has always been a hallmark of our university.

And the role of hundreds of legislators who preceded you and supported this impact cannot be overstated.

It's part of our founding DNA and is a central component of our values and our mission.

The basis for scientific inquiry at U-M was created in tandem with the 1837 formation of the State of Michigan itself, when the Territorial Legislature called for the creation of a "Cabinet of Natural History" for the campus.

Early exploration of the state produced geological, mineralogical, botanical, and zoological specimens that were given to the new school.

These became the first seeds of research at our great public university.

I am eager to work with you to further grow the impact of the original Michigan idea to conduct research and educate students for the good of society.

Thank you for your support in heightening U-M's impact on people's lives in Michigan. We will be happy to provide answers to the questions you asked in your invitation letter in a separate document.