

**Gary D. Forsee, President
University of Missouri System
UM Board of Curators Meeting
President's Remarks
9 a.m., Friday, October 23, 2009
Columbia, Missouri**

Let me add my “good morning” to everyone and start by thanking our faculty, our staff, our students, our administrators and all of our friends and supporters who are gathered here this morning and on the Web for all the great work they do every day to support our mission and keep the university strong.

I'd also like to thank the curators for their continued engagement, diligence and passion for education in our state and certainly for the University of Missouri.

I think we saw an indication this morning of the “product” of our work as we saw two of our student athletes represent our university in a way that should make us all proud of the work we do each and every day.

It's hard to start any presentation in this environment without talking a little bit about the environment that we're in, and where we are with the economic impact on our state related to the recession.

As you might suspect, the news is not good.

The news continues to come in from many different dimensions.

You know for Fiscal Year 2010 we have generally preserved the status quo as a result of the arrangement we made with the governor coming into this year to hold our budget to the 2009 fiscal level in exchange for preserving tuition at that same level. (slide 1)

But we also know that there are risks developing around the 2010 general budget situation in the state and impacts could occur for those other programs outside what would have been considered core appropriations, specifically Caring for Missourians. One-time funds were used for that program —and what we call “other curator programs,” which include our hospital, the Missouri State Historical Society, MOREnet and others.

Again, it remains to be seen how that will play out...

So, what we do know is that we are continuing to run significantly off what had been the state's forecast for this 2010 cycle. We know that we are off about 11 percent to that budget through September. (slide 2)

So, the question is, what will this mean as the stimulus dollars start to work their way through in 2010 and 2011?

We know that only about half of the stimulus dollars are likely to be available in 2011 than there were in 2010. That equates to about \$25 million for the University of Missouri.

If you play it forward, even though there is some “calendarization” that occurs—we tend to get out of the gate a little slowly in the fiscal year—the 10 to 11 percent is alarming.

Still we would expect some of that to come back, just the way the “calendarization” works.

Suffice it to say, at this stage, our planning view should be that as we go into 2011 and project forward into 2012, we could have as much as a 10 percent challenge to our operating budget.

If I could quote from a letter I shared with the curators and all the general officers this week from Mark Yudof, who is the president of the California system: “Now is not the time to be dealing with faith-based budgeting.” We have to deal with these budget issues directly, and do it in a way that makes sense for all of our constituents and engage our university community as we do.

Last year as I came on board, even with Gordon Lamb’s fine leadership hand to help me as I got started, certainly the economic model of how the university’s finances work was a very complicated equation.

We spent some time trying to understand exactly how all the parts work, and this chart that I’ve shared with the curators before is a way of decoding, if you will, the budget, the state’s support of tuition, as well as our own efficiency and how all of that plays out. (slide 3)

This chart, I think, gives some conclusion to that. (slide 4) Again, from my experience, the level of change implied on that previous chart is really extraordinary. And I think the chancellors and the curators, all whom have been involved in ensuring that we keep our mission strong, should feel good about the outcomes that have occurred during that period of time when there was a significant dramatic enrollment increase—more than 8,000 students were added to our four-campus system during that time.

We’ve been able to maintain our selective admissions standards and quality during that period.

Outcomes have been maintained.

Our graduation rates also have shown improvement, but that’s required significant productivity gains, and again, whether you take the Consumer Price Index or the Higher Education Price Index, upwards of 20 percent productivity improvement would be required in order to maintain that quality of support.

We also know that's been done in the context of a decline in state support, offset by a shift of burden to students in the form of tuition.

We also know that's been done in the context of a continued decline in state support, where now we are 45th in per capita spending for the operating budget, near last in funding for per capita funding, and near the bottom in faculty salaries when it comes to those institutions with which our university compares itself. So, again, it kind of chalks the playing field about where we've been.

I posed the question last December and again in February: shouldn't the state's land-grant institution and our state's flagship campus institutions be even more relevant in the toughest of times? (slide 5)

Shouldn't we be viewed as part of the solution? Shouldn't we be an asset to the state as those solutions are sought?

So, without going through these individually, I think we've done a great deal in that regard. We've turned over every rock that we could to be sure that we are more relevant and we've been very creative in that approach—whether it's the P-20 Task Force trying to reach back in to that early childhood development through high school to community colleges to determine college readiness...whether it's the focus that we've had on all of our campuses on e-learning and distance education and its importance to the future...whether it's about economic development, the opportunity to create jobs, and to allow our researchers to flourish ...and certainly our accountability measures, which are a way of providing a stewardship report to all of our constituents about how we are good stewards of the assets they've provided.

All of that, of course, is the underpinning of our faculty, staff and students, who are the lifeblood of what we do.

So, a lot has been done, and it poses the question: during this challenging time, are there other things that should be taken on? (slide 6)

Are there other things that should be accomplished by this university as we aspire to that leadership position?

I have to admit that at this time some of these notions are ideas, more my words than the collective wisdom of my colleagues, including our shared governance process with the faculty, but I will suggest to you that these are items that in my view are the most relevant as we look to the years ahead, so if you'll allow me to step through those quickly...

Cash management and cash conservation measures are in place, but we need to do more. If you believe what we heard last night, as we listened to Jim Moody describe the state's budget process, and if you believe the numbers you saw this morning, we will

have to start down the track of taking a further 5 percent reduction to our 2010 run rate to be ready for what could be the outcome in 2011.

We've spent a lot of time with the board and with Warren Erdman's leadership on the Human Resources and Compensation Committee to examine the strategic importance of dealing with the salary situation for faculty and staff.

The question is whether or not we have the wherewithal to deal strategically and make progress as we look forward.

In the middle column (slide 6), I am calling for us to conduct regional capital project forums to engage our campuses, our communities, the state, investors, those who could bring money to the equation to examine--without throwing the towel in on a state-initiated bond issue--what else we could be doing to engage the communities that are so important to our livelihood going forward. Also, vice versa, what else could we do to fund capital projects, to fund maintenance and repair that we know is lagging in our state, and lagging as a result of this historic funding pattern and lack of a consistent mechanism to fund capital projects.

We will get this done right after the first of the year, if not before. Again: region-specific forums in St. Louis, Kansas City, Columbia and Rolla, to convene those with the most interest in ensuring that we have a mechanism in place to look at capital project needs.

Sources of revenue: again, something that we could dwell a lot on the left part of that chart. And the left part of the chart (slide 6), I will submit to you, is not very compelling when you've been in the cost-cutting mode that we've been in for a number of years. We have to spend a disproportionate amount of time on the right part of that chart in terms of revenue sources.

So, we're going to have a renewed emphasis within our campuses on intellectual property and commercialization, but with a finer point on standing up companies and creating new net jobs for the state.

As you know, earlier this year we talked about tuition. We talked about disaggregating our tuition approach going forward on each of our four campuses.

So, today without describing exactly how that would be, you should know that I have challenged our campuses to come back by the end of the year with their ideas about a market-based approach to tuition that would be reflective of St. Louis's needs versus Kansas City's needs, versus S&T, versus Mizzou. Again, a strategic way of looking at our needs in regard to tuition...

Obviously, keeping in mind that our students—those who are with us today and those who are considering the Missouri system—are going through the same economic

challenges that we are... We have to keep in mind affordability and accessibility as part of our core mission.

Finally, I'm calling on us to do like we did in the late '80s and '90s, when we made an investment in ensuring that our faculty would be world-class. And that investment requires a state match.

I'm calling for the same thing to be done now: that we establish with the state a matching program for investments in that critical aspect of preserving our research mission...investing in STEM programs that deal with science, technology, engineering and math. We know we're not producing enough jobs in those categories, and I'm calling for a renewed emphasis on that and requiring us as a university system to come up with dollars that could be matched with state dollars as a way of dealing with that critical need.

You know, like you, I read a lot of publications and certainly have been struck over the last year with the national discussion that has now become a constant aspect of what we read and hear about with regard to higher education. A national discussion. And what I think is important about that discussion is it's not about the here and now, though there are certainly things that need to be dealt with.

As I have outlined, we at the University of Missouri System are doing all we can about the here and now, but, importantly, what is being posed is: what will the next decade bring?

What will we need to look like in 2020 to have been responsive by that point in time to our students, the changing needs of our faculty, the changing needs of the fundamentals of what we do in higher education?

So, today as you think about the United States and higher education, we have led the world on any dimension that you could imagine—we have led the world—but you also know that the world is flat. And the world is catching up with us dramatically, witnessed by articles represented by two national publications within just the month of October. (slide 7)

Suffice it to say, higher education has a number of challenging and vexing issues. This list represents a consensus list of national higher education issues that we are all dealing with. (slide 8)

This comes from a governing board source, from our associations that deal with public and private higher education...so this list would look very familiar to this group.

Accountability for student learning and outcomes...A real focus on what happens as a student progresses through our institutions.

Access and student success. The ability for students to be able to aspire to community college or to a four-year institution...The price of tuition, and along with that, if I could add, the value proposition: are students able to see the value? Witness the *BusinessWeek* headline about the “lost generation:” can students get jobs after they’ve made the investment, along with their parents?

Budget and funding: certainly our state is not unique in that regard. Student aid policies, the ability to fund and provide financial support, aligning the P-20 education system to be sure the pathway is clear for students who are starting down that track.

Tax policies, benefit policies...all part of that complicated and vexing issue. E-learning, the trends we saw yesterday, the video clip of how students are expecting to have affordable access and to have flexible approaches to teaching and learning...

Diversity and significant shifts going on nationally and demographically, and finally, competition for our education dollars from for-profit institutions...

There are some Missouri-specific issues, perhaps subsets of any other institution around the country, but certainly there are some to point out to this group this morning. (slide 9)

We did a survey last year about Missourians’ attitudes about higher education, and we found in that survey that it’s not clear to all Missourians—less than 50 percent—about the value that’s delivered by higher education...so what aspiration can there be for students to achieve advanced education as a result of that?

We know that Missourians may not think about higher education as the next investment that they need to make. Certainly health care fits into that top category, as well as job creation...While higher education is viewed as important—perhaps not as top of mind as we would like—and, therefore, there’s a communication challenge in front of us.

We talked a little yesterday in Steve Graham’s presentation about the community colleges and the need for us to be even more engaged with community colleges to be sure that we take advantage with them of the tremendous federal funding that will be occurring and give us a unique opportunity, perhaps earlier on in our two urban campuses at UMKC and UMSL, but certainly over time at Mizzou and at Missouri S&T, to be sure that student access has a great opportunity for success because of the great partnering opportunities that we have with them.

The state economy is lagging behind our national recovery. This is not a criticism, but it is a way of differentiating the Wall Street recovery, which thankfully is occurring, versus Main Street recovery, which has not occurred.

Wall Street has recovered by the creativity of corporations in conserving cash and inventories and margins. That recovery has not occurred on Main Street yet, and it won’t

occur until we see real revenue growth occurring, both corporately and at the consumer level.

So, we are lagging behind. Missouri, as we heard last night, tended to lag going in and, unfortunately, will tend to lag going out.

And, finally, capital and funding mechanisms, we know, are a particular challenge. Particularly maintenance and repair, where we've been underfunded and have some very critical issues...

We know today that we're not producing enough STEM-related or health care professionals in our state. Therefore, we are an "importer" of those professions in areas that will likely represent key areas of growth nationally in the future.

The challenge is: how do we manage? (slide 10)

It's a leadership challenge, both nationally, in the state and in higher education...the unprecedented level of change and the way we do that will determine our continued success.

It will require, in my belief, partnering with the key stakeholders, again with a finer point on our unique role and mission, particularly around research. That is unique in the state and something that has to be continually reinforced or it could be undernourished or marginalized if we're not careful.

Quality and outcome focus: I don't think there's any question that we have a mindset now to be accountable, to be out there in terms of what we want the student expectation to be, as well as our faculty expectations, as well as our constituents.

Access and affordability is part of our land-grant mission, part of our charter and something we have to be mindful of as we deal with these challenges.

Finally, our ability to deal with these statewide and national issues and our ability to deal with them in a very constructive way...

Chancellor Deaton in a public forum earlier this week said now is not the time to be sitting in the garrison; it's time to be out ensuring that we lead with the planning that's required to deal with that.

I would pose to you the question: how does change occur? (slide 11)

Change can be dictated from federal legislation, from state legislation, from federal or state leaders. Sometimes it can be regulated by federal or state law, sometimes it can be top down, and change can be directed, but also change comes from within.

My experience shows, and surveys would show, that sustainable change only occurs from within. Sustainable change only occurs from within when you unleash the innovation and the creativity—a term used earlier this morning—you allow those who are closest to the action to assume an ownership position with a clear vision and a clear case of the mission that's to be accomplished.

In our case, those closest to the action are our faculty, our staff and our students, and the engagement required to lead and innovate through this period of change and economic challenge is going to be very important.

We have to be engaged at every level. We have to exercise shared governance and do that in a sincere manner. We have to be sure that our existing plans are preserved, at the same time key initiatives have to be invested in and highlighted.

We must respond, we must anticipate and we must be innovative in those solutions. As we think about the university of 2020, it's going to require us to be willing to examine those paradigms...be willing to look at what we've done historically in perhaps a different lens, with a different twist, to be sure that we can support that mission.

It calls for a fundamental reexamination at the heart of what we do, which is the intersection of students, faculty and the learning process. And that is the heart of what we do. And, frankly, it is the heart of what's going on in the national discussion.

I read article after article and letter after letter from the *Chronicle* and other national publications, and the heart of the discussion is fundamentally what we deliver and how the engagement in that teacher-student learning process is evolving.

What I'm suggesting is that during the next year we engage in the process of examination, and we do that in a way that is very thoughtful, and with the best minds that we have around shared governance, so that we can really evaluate and examine key elements of this historic paradigm shift that's clearly occurring. We have to acknowledge and get over the hump that's clearly occurring in regard to that fundamental relationship.

This is not an exhaustive list, but it's intended to highlight those things we need to look at, whether it's bachelor's degree completion programs—we have a lot of stranded students out there now who are mid-career who didn't quite make it—how do we help them reengage in this process of learning?

Requirements for e-learning, and again if you saw the vignette yesterday, students are suggesting to us that they don't just “plug in” 24 hours a day, they plug in 28 hours a day. Well, how do they do that? They multitask. They “tweet.” I haven't quite gotten there yet, but we'll get there.

Requirements for hybrid learning, as we think about the stress in our classrooms today because of growth—how do we blend that learning process between classroom, e-learning and distance?

Clearer pathways. A young man this morning talked about coming to the University of Missouri with 23 credits, but I've also heard as I travel around the state that it's a challenge sometimes to ensure how those honors classes and Advanced Placement classes transfer.

We've got to be sure that those pathways become clearer, both high school to college, as well as community college to university. A lot of discussion about 3-year programs and "no-frills" degrees...we need to examine that in the context of access and affordability.

We need to talk about year-round cycles. Evenings, weekends and the summers shouldn't be viewed as "different." It ought to be viewed as our approach to being flexible with student needs and student demands. And, finally, clarity around credit hour requirements across our degree programs for bachelor's and advanced degrees.

So, not an exhaustive list, but a list to give us a starting point to be sure that as we deal with the context of a national discussion and the challenges we're clearly going to have in the next couple of years as a state.

As we ask the state to do some things, as we require ourselves to be advocates, we know these are going to be difficult discussions to have.

But I think if we do that in the context of "we want to lead, we want to be part of the solution," that we are willing to take on these vexing issues, we're willing ourselves to change from within to take on these paradigms, then I think we will be providing leadership and a tone and the opportunity to be sure that the culture at the heart of what we do—our teachers, our faculty, our staff and students—can remain strong through that process.

That's a lot to cover in a short period of time, but to summarize: 2011 and 2012 are going to be challenges, they are going to require leadership at all levels within our institution to work our way through that.

Actions to date, I would submit, have been supportive, but we know we can do more and have more to do, and, therefore, I'm calling for regional capital forums to look at ways of funding capital projects and maintenance and repair versus the way we've always expected it to be occurring.

I'm calling for an investment—a match by the state—in these critical new jobs that can be created by research and STEM programs. I'm calling for revenue sources to examine and an extra emphasis on standing up new companies and on the platforms we have in place on our campuses.

I'm calling for continued cost and cash diligence, and a comprehensive review of this national discussion.

What we're doing in the context of what I laid out...I am so proud each and every day to have a chance to represent the university to the state.

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