

THE UNIVERSITY OF MICHIGAN  
REGENTS COMMUNICATION

Approved by the Regents  
November 18, 2010

SUBJECT: Annual Operating Request to the State for the University of Michigan-Dearborn Campus for FY2012

ACTION REQUESTED: Approval of the Annual Operating Request to the State for the University of Michigan-Dearborn Campus for FY2012

BACKGROUND: See Attached Document

The attached proposed State Budget Request is a statement of our most urgent needs so that we can fulfill our mission to deliver the academic excellence of the University of Michigan in leadership and service in metropolitan Detroit.

We recommend that the Regents approve the proposed State Budget Request.

Recommended by:



---

Daniel Little, Chancellor  
University of Michigan-Dearborn

November 2010

The University of Michigan-Dearborn  
2011-12 Budget Request

Our mission is *to deliver the academic excellence of the University of Michigan in leadership and service to southeast Michigan.*

The University of Michigan-Dearborn makes a significant contribution to the region's human capital: some 80 percent of our graduates remain in Michigan and more than two-thirds of them live in Wayne, Oakland and Macomb counties. Throughout the region wherever strong and capable leaders are needed, you will find UM-Dearborn alumni working as agents of economic and social progress in both creative and practical ways. Our alumni are difference makers and our commitment is to continue to produce them. Using a "Success and Progress Rate" modeled after the Voluntary System of Accountability (VSA), with data generated by the National Student Clearinghouse, UM-Dearborn achieves an 83% success and progress rate for students attending the university.

In order to sustain academic excellence and better secure the future of the campus financially, we are committed to growing enrollment to approximately 12,000 students over the next decade. Total campus enrollment stands at nearly 9,000 students, the university's highest enrollment since 2003 and only 137 students off the highest enrollment in campus history. The number of incoming new students in fall 2010 was 1,754 (921 freshmen). Our academic quality remains in the top tier among Michigan public institutions; our entering fall 2010 class has an average GPA of 3.54 and an average ACT of 24.12, the highest academic scores in at least 10 years. To continue to develop and expand the high quality academic programs that such students expect and deserve UM-Dearborn has engaged in a rigorous process of cost savings, garnering

efficiencies and reallocating resources. Since 2004, UM-Dearborn has realized a cost savings of \$6.1 million. Cost savings were realized in the areas of building and plant operations, operating expenses and compensation expenditures.

Still, the cost of sustaining excellence and expanding academic programs requires additional funding. We have increased our level of sponsored research from \$3.4 million awarded in FY 2006 to \$7.6 million awarded in FY 2010. In the most recent capital campaign, pledges and gifts generated over \$45 million. While the institution has been aggressive in taking steps to increase resources, state support remains vital not only to maintain institutional excellence, but to keep the cost of college education affordable for families and students in southeast Michigan.

There are five specific areas where UM-Dearborn has applied its resources to make a difference on important regional issues. First, we support competitive manufacturing with applied research, educational programs, and innovative technologies. Beginning in fall 2009, we inaugurated two new Ph.D. programs in automotive systems engineering and information systems engineering in partial fulfillment of this commitment. Second, we confront and address racial and ethnic discrimination through innovative programs both on campus and in the community. The Difficult Dialogues project, the Conversation on Race initiative, and our Text in Community lecture series demonstrate institutional support for inclusiveness. Third, UM-Dearborn serves as a national model for research and teaching designed to tackle environmental challenges in an urban setting. The National Science Foundation's award of \$1 million over five years to support curriculum workshops in the geosciences for teachers in the metropolitan area is a testimony to our leadership in this arena. Fourth, the university works extensively

with K-12 schools and early childhood programs to enrich their curricula and enhance the skills of their teachers. A case in point is the \$900,000 award the campus received from the NSF to provide cutting-edge programming for Detroit high school students and their teachers that fosters proficiency with information technology (the FI<sup>3</sup>T program). Finally, the campus assists regional leaders and elected officials in a variety of offices to develop the complex skills they need to better serve their communities in southeastern Michigan. UM-Dearborn's Institute for Local Government and new graduate certificate program in Local Government Management offer outstanding opportunities for state and local public servants to acquire advanced education and practical knowledge to benefit the welfare of their constituents.

In the process of making progress on these goals, the University of Michigan-Dearborn has become a national example of a high-quality metropolitan university meeting important urban and regional needs. To fully bring to bear our capabilities in service to southeastern Michigan, however, the University of Michigan-Dearborn needs significantly greater support from the state. While we understand the enormous economic challenges facing Michigan, we contend that investment in higher education in general and in the mission of the University of Michigan-Dearborn in particular will lead to a beneficial restructuring of the Michigan economy and produce large dividends for the state in the years ahead exceeding many times over the initial financial outlay.

The past nine years have witnessed substantial reductions in UM-Dearborn's level of state support. For example, our state allocation is still lower by 12 percent, or \$3.4 million, than what we received in FY2002, even taking into account the 1 percent increase in the appropriation approved by the legislature for FY2009. These reductions

have impaired our ability to explore and launch new academic programs in health-related fields that our students are clamoring for and the people of Michigan need. Health-related industries represent one of the fastest growing fields of employment in southeast Michigan; experts predict a 10 percent job growth in this sector over the next several years. Since most of our graduates remain in Michigan, adding health-related programs to our campus offerings will help meet the needs of our students, as well as the need for qualified employees in the healthcare sector.

At the same time, we find ourselves struggling to meet the need for qualified faculty members in areas like the biological sciences, criminal justice studies, and psychology where we have grown significantly and where we expect further growth. Our budget request for FY2012 addresses the need to fund new faculty lines that will support new academic program development and research in science, mathematics, and healthcare fields. The requested funds will permit us to sustain the enrollment growth that, in turn, will cultivate the professional talent needed to lead Michigan's economic future.

Most significantly, given the economic conditions in which prospective students now find themselves, we propose to add a significant infusion of support for need-based financial aid into the FY2012 budget. Access to higher education is not only critical for Michigan's struggling families, it is crucial to Michigan's economic and cultural future. We seek to increase the campus's ability to offer adequate financial aid packages for low- and middle-income students and families. These funds will also allow us to provide financial assistance for returning students who are making the transition from manufacturing jobs to other careers, including some of the 156,000 people in southeast

Michigan that have taken college courses however do not have a degree. 57,000 of this group have expressed an interest in returning to school within the next few years.

### **Program areas requiring additional state support**

#### **Enhancing financial aid to increase access for students: \$1 million**

At UM-Dearborn over the past 5 years: 1) the percentage of our students eligible for Pell grants has increased from 28% to 42%; 2) the number of students receiving financial aid has increased by 28%; 3) students lost \$1.2M in MI Promise Scholarships; 4) Work Study funds have been cut significantly; 5) the out-of-pocket amount students contribute to tuition has risen from \$1M to \$3M; 6) financial aid awards for students have doubled from \$29M to \$59M. Access to higher education is the most important factor in enhancing opportunities in a person's life and career. The cost of attendance is a barrier to access for students from low- and middle-income families. UM-Dearborn seeks to significantly increase the level of support it is able to provide for financial aid to students by proposing an increase of \$.8 million in institutional funding for financial aid in the coming year's budget.

#### **New faculty members and enhanced programs and research: \$1.6 million**

The university needs to increase its instructional capacity to meet demand by recruiting new faculty members in several fields with significant enrollment growth: for example, psychology, criminal justice, biology, special education, accounting and finance. In the last five years, the number of biology majors has doubled, and criminal

justice majors have quadrupled. The university has programs in health policy studies and health psychology, but it needs to meet the community's demand for additional graduates in healthcare professions. In the current year, the campus is exploring prospects for contributing meaningfully to the education of the next generation of health professionals. Because start-up costs for healthcare-related initiatives are significant, funds are needed both for faculty and equipment.

In another area, university resources were allocated to launch a very successful initiative called *iLabs* (*i* for "innovation"), which conducts research on a wide variety of economic and policy issues, ranging from measuring the economic impact of Detroit Wayne County Metropolitan and Willow Run airports to helping Ford Motor Company refine their proposals for worker buy-outs. This project has emerged in our College of Business as a highly valuable and active enterprise that is long on demand and short on staff. A permanent faculty director and additional staff are required for the institution and the region to take full advantage of the opportunities this most constructive service has the potential to provide.

**Expanding programs for early-childhood and K-12 teachers: \$300,000**

As research continues to accumulate to show the importance of early-childhood education to long-term student achievement, UM-Dearborn's School of Education remains a leader in preparing teachers for careers in early-childhood education in the state of Michigan. SOE faculty members in the Early Childhood Education Center prepare students for careers in the field and conduct ground-breaking research. The ECEC is among only 10 percent of American childcare facilities accredited by the

National Association for the Education of Young Children. Now located in a new structure on grounds of nearby Oakwood Hospital, the ECEC is partnering with Oakwood Healthcare System's Program for Exceptional Families to foster excellence in pediatric rehabilitation services and early-childhood education.

We are also deeply involved in enhancing the skills of teachers in the K-12 system, both in bachelor's degree programs and at the master's degree level. Professors in our School of Education have worked with faculty members in our Department of Natural Sciences to reform curricula and develop new teaching methods that have the potential to transform the way science is taught throughout K-12 schools. In addition, faculty members in our mathematics department have become national leaders through focused work in the Detroit and Southfield public schools in developing effective methods for teaching math in middle schools; their efforts have already begun to have a positive impact on MEAP scores across the city and three-county area. Both of these areas, science and math, will be key to preparing Michigan's children to compete in a global economy. With additional support from the state, we will be able to expand these programs and broaden their impact on schools and children across Michigan.

**Building regional leadership capacity: \$100,000**

As the problems local governments are asked to solve become more complex, those serving as elected officials need better preparation and continuing education delivered in a non-partisan and timely manner. Similarly, we must suitably educate the next generation of policy makers and political leaders by providing relevant coursework, appropriate internship opportunities in local government and community agencies, and



meaningful research experiences in areas of political science and public affairs. We believe that UM-Dearborn is uniquely suited to perform these tasks.

The Institute for Local Government (IFLG) is an initiative launched at UM-Dearborn in 2003 to offer a variety of programs to help develop stronger civic leadership in the region. Among other programs, the IFLG has offered a series of training sessions to help new school board members understand their responsibilities, which has attracted members from more than half of the 80-plus school districts in the metropolitan region. The Institute also has developed similar workshops for new village and city council members and a program to help municipal leaders address the issue of hate crimes in their communities. Since its founding, the IFLG has had a very positive impact on the communities in our region, and it has drawn significant support from public officials and from private organizations.

But the IFLG is only one of several efforts we are making to reach out to local policy makers and enhance their leadership skills. Faculty members in public policy, public administration, and urban and regional studies are working together to develop common agenda items and to expand specialized coursework for government administrators and managers. One promising initiative that has recently been launched is a graduate certificate program in Local Government Management that is offered in a fully online mode to reach government employees throughout the state, as well as the entire mid-west region.

Another approach involves coordination of public affairs programming with our Civic Engagement Project (see below) to support student participation in civic leadership activities with the goal of preparing the next generation for successful careers as

government and community servants. With \$100,000 in base funding, we will be able to sustain these programs and build on them, keeping our promise to serve the leadership needs of our region.

**Civic Engagement and Metropolitan Research: \$200,000**

Our communities cry out for students to participate in projects that can have an impact upon the lives of those in dire economic and social circumstances in southeastern Michigan. To address this need, we have launched a Civic Engagement Project to educate both faculty and students through active engagement in service-learning projects. This program draws participants from all four academic units on campus to promote one of UM-Dearborn's significant strengths – experiential learning. To date, more than a dozen faculty members have received specialized training on how to integrate service learning in a seamless and meaningful fashion into their courses, and numerous community-related, volunteer projects have been completed by Dearborn students and faculty members spanning disciplines as diverse as environmental science, marketing, and computer engineering. But the program needs adequate funds to broaden its role and increase faculty and student participation in activities that harness our energies to solve problems and to meet community needs in southeastern Michigan.

Similarly, due to our unique location, we have an opportunity to serve our region by developing a Metropolitan Research Center that can perform timely research to aid in developing solutions to challenges and problems in southeastern Michigan. The success of *iLabs* research on regional issues has made us aware of a hunger for targeted research on the challenges facing southeastern Michigan. And the University's deep and long-

standing engagement with community leaders, policy shapers, and academic social researchers who can serve as project directors, advisory board members and consultants provides us access to the kinds of expertise that will guarantee its success. Through civic engagement and metropolitan research, we can focus the talents and skills of our faculty and students on issues and opportunities for service, learning and growth that will benefit both the participants, the people of our region, and those in other parts of the state.

**Research and information technology infrastructure: \$500,000**

The University of Michigan-Dearborn enrolls a very high proportion of students in the natural sciences and engineering, more than any other public institution in the state except for Michigan Technological University. We need to ensure that our students have access to laboratory facilities and instrumentation that is sophisticated and technologically advanced if we are to prepare them for careers in a world that expects nothing less. Newly hired faculty members require adequate start-up funds to equip their laboratories with state-of-the-art instrumentation to remain productive in their fields, to attract extramural funds, and to properly train their students in the use and application of equipment commonly found in industrial and government research facilities. While we have added significant new science and engineering buildings to our campus in recent years with the help of the state through the capital outlay process, we have struggled to equip those buildings properly.

We need to invest more on an annual basis in technologies that support instruction and collaborative research. Many of our classrooms must be updated and equipped with modern digital equipment to make proper and effective use of new instructional

pedagogies. Moreover, we must enhance our capacity to produce and deliver more and better online programming for our current and prospective students, particularly at the graduate level where the availability of online degrees is crucial to recruiting and retaining students who work outside the immediate metropolitan area or who may be transferred out of the area for job-related reasons. Michigan’s economic prosperity will clearly depend on a technologically proficient workforce, and enhancing support for modern scientific inquiry is an investment in the future.

**Request:**

Enhanced support for financial aid	\$1,000,000
New faculty, program enhancement in science, mathematics, and engineering, and new, health-related initiatives	1,600,000
Early childhood, K-12 programs	300,000
Building regional leadership capacity	100,000
Civic Engagement and Metropolitan Research	200,000
Research and instructional technology infrastructure	500,000
	<hr/>
Total	\$3,700,000



# University of Michigan – Dearborn

## Cost Containment Strategies/Practices

Since 2002, the economic climate in Michigan has suffered through very difficult times. An on-going recession has crippled state revenues and hampered business growth opportunities in this region. Revenues from state appropriations to support operations of The University of Michigan – Dearborn have steadily declined. We have shown remarkable strength managing our operations through a struggling business climate that has impacted our finances and challenged our student's ability to afford their higher education experience. We have maintained our strategic plan to grow enrollments. During the past 10 years, we have managed to grow our building infrastructure to address our strategic enrollment growth plans that parallel the Governor's Cherry Commission Study. UM-Dearborn's metropolitan vision will assist southeast Michigan during the period of economic recovery and provide this campus an opportunity to further strengthen our partnership with our community.

### **Protecting our Instructional Programs:**

Through the adversity of this weakened economy, our success in the past several years of protecting the educational mission and strengths of UM-Dearborn can be tied to responsible budgeting practices and committing new resources to the most critical strategic initiatives. Through these difficult financial years, the instructional excellence of the University of Michigan has been protected and expanded. The classroom instruction has been strengthened by strategically increasing the number of ranked faculty, while reducing the number of unranked part-time faculty positions. This strategic decision strengthens classroom instruction for our students, while providing additional opportunities for research expansion and publications that represent the outstanding knowledge base of our faculty. This strategy was in reaction to student demand and recognizing business needs in southeast Michigan. To financially implement this strategy, we needed to re-direct resources. One strategy included a careful assessment of course offerings, which lead to the elimination and consolidation of some course offerings and classes. We have maintained a level of course offerings that still allow students the opportunity to graduate on time. In addition, in order to meet student demand for courses in high demand, we have expanded course cap limits to accept more students.

### **Leveraging Information Technology:**

Several initiatives have been implemented over the years to take advantage of information technology. UM-Dearborn initiatives have saved financial resources, improved employee productivity, and offer new and improved self-help student services. UM-Dearborn has been very pro-active in adopting technology that improves efficiencies and simplifies processes and procedures for faculty, staff and students. Over the past 12 years we have implemented the following technology improvements:

- New financial and student service software systems help to provide information and data needed to make critical strategic business and customer service decisions and reduce redundant in the work flow.
- New on-line service (self-help) processes for students, faculty and staff save financial resources, while at the same time improve service and significantly reduce duplication and human error. Many of the duplicate and lower priority tasks have been eliminated with automated services.

The above examples demonstrate the university's efforts to improve student services, invest in human capital and improve productivity while maintaining current workforce levels.

**Cost Containment/Alternative Revenue Measures/Strategies:**

Through these difficult financial years, UM-Dearborn has carefully managed our annual costs to maximize the use of all of our revenue sources. In doing so, we have identified and acted on a number of initiatives to control costs. These initiatives have allowed us to shift resources to those of most critical need. In addition, we have taken advantage of the expertise of our faculty to enhance research funding, and with this increased funding levels comes higher indirect cost recoveries to offset overhead expenditures.

We have identified, from major initiatives, an annual savings of approximately \$6M during the past eight years. Savings have been realized from the following areas:

• Building Infrastructure Initiatives: Savings/Revenue Generation	\$2,300,000
• Energy Conservation Measures	350,000
• Building and Plant Operations Costs	500,000
• Change in Summer Instructional Compensation Rates	300,000
• Outsourcing Credit Card Payment Processes & Associated Risks	350,000
• Insurance & Liability Risk Savings	315,000
• Postage and Paper Printing Savings	275,000
• Telecommunications Savings	135,000
• Copy Service Savings	80,000
• Employee Benefits – Employee Share	600,000
• Modifying Overtime Pay Calculations	15,000
• Classroom Delivery Savings	300,000

**Looking Forward**

We continue to do more with less. Through the many years of Michigan’s recession, we have been limited in providing inflationary increases for operating expenditure needs. To offset this effort, we have turned to technology and creative ideas from our employees to increase their productivity and allow us to provide the quality instruction and service our students expect in reaching their goal of a University of Michigan degree. A university is a decentralized operation. In this report, we have presented many of the large cost savings initiatives that have taken place over the past 10 years. Not recognized are all of the cost reduction efforts that are going on within the individual departments on this campus. For example, we are aware of departments that have lowered the grade of paper stock, shifted to black & white instead of color printing, or shortened mailing lists to reduce paper & postage costs. As financial challenges continue, we will explore all options to maximize our limited resources. We are continuing to explore more energy conservation measures, health benefit strategies, shared services, and information technology enhancements to reduce costs and increase employee productivity. At the same time, we continue to review options for new program initiatives to meet the demands of businesses and industry in southeast Michigan.