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Reflections on the New Normal for the University of Georgia

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Good evening. We are living in interesting times, are we not? I do not want to dwell on the details of the budget situation, but I do think we need a common baseline before we can discuss the ramifications and what this means for UGA in the short and long term. I know things are hard in your departments, units, schools and colleges. I know that the uncertainty of the outcome of this legislative session is weighing on everyone. And I know that the recent attacks on higher education have been demoralizing to many. But I also know that, thanks particularly to Tim Burgess and his staff and former Provost Arnett Mace, we have managed this crisis about as well as it could be managed. There is no doubt in my mind that there are hundreds of people on campus -- faculty and staff -- who owe their jobs to the management plan developed by those two gentlemen.

We were ahead of this by more than a few months. We implemented almost two years ago some slowdowns on purchasing and hiring and travel that prompted some grumbling, but frankly saved jobs. Every six months we can hold on saves jobs and builds a small reserve, relative to the total \$1.3 billion budget. When I met with the media last week after the Cabinet meeting, I asked them to try to put every iteration of the budget process in context. I want to share with you what I told them, and then we can move on.

UGA has already absorbed \$101 million in cuts over the past two years. The Governor's proposed FY11 budget, which he released in January, contained an additional \$265 million in cuts to the System budget, of which UGA would absorb about \$44 million – a total of \$152 million. A legislative subcommittee directed the Chancellor to propose additional cuts to the state portion of the System Budget in the amount of \$300 million. UGA's share of this proposed cut was about \$60 million. This was a proposal; the actual amount to be cut is not yet known.

Two weeks ago, the Governor revised his revenue estimates, adding \$117 million for FY11 in cuts to the System budget but leaving in place \$113 million in formula funding. The \$117 million shortfall occurs because of federal stimulus dollars pulled forward from FY11 to cover the FY10 deficit. We do not yet know the final cut that will be made to the University of Georgia, and will not know for several weeks.

I am not sure what is going to happen in the end. The first step is for the Legislature to approve a budget for FY11; the second step is for the Governor to sign a budget; the third step is for the Regents to set tuition and make an appropriation to UGA; and the fourth step is to develop the FY11 budget for the university. We'll know much more then. I don't believe we are at sackcloth and ashes just yet. Quite frankly, the Governor helped us very much with his

revised revenue estimate and his strong statement of support for the value of higher education. The tenor of the conversation has changed significantly and for the better.

I think you are all smart enough to figure this out, but let me say it just for the record: There is a difference between a plan for managing a budget reduction and a political strategy in response to an extreme directive from a legislative subcommittee. We do not want to make the cuts that we had to put forward in our proposal, and would never have proposed them as part of a reasonable budget management plan. But we are serious about this situation, because our missions of teaching, research and service are threatened, and we will defend these vigorously. In particular, we must defend instruction, as it remains our primary reason for existence as an institution of higher learning.

I have told the Governor, the legislative leadership and anybody who will listen that this is an unsustainable pattern of funding which has implications far beyond the Arch. Anyone who thinks that a decline in quality at the University of Georgia does not have negative ramifications for the state has simply not thought about the connection between higher education and economic strength, civic life and public finance.

What happens next? Things could get worse – we have not recorded a month where state revenues improved over the previous year in almost a year and a half – but I believe we are at the bottom. That was the position of both the national and state economic outlooks presented at the Terry College’s annual luncheon in December. Georgia is always late into recessions and late out, and in many parts of the nation, economies are turning for the better. My conversations with well-placed people in banking, in housing, in financial management and in retail lead me to have some hope that the next three quarters may show noticeable improvement.

There is also good news at UGA, and much of my effort in the past year or so has to been to remind people of that fact. The partnership with MCG to educate physicians in Athens is proceeding on schedule. We have hired faculty, identified existing faculty who can teach and begun the process of enrolling the first class for this fall. The facility on the river has been wonderfully renovated and will house classes for the first couple of years while we transition to the Navy School site. I believe deeply that adding medical education to UGA’s curriculum will be one of the most significant events in the history of the institution.

The expansion of engineering programs continues to gain momentum, especially with students. We began this process because we were hearing from the state’s industrial and business community that there was difficulty in finding in-state general engineers. With all due respect to our friends at Tech, who do a very good job at what they do, over time the focus there has shifted largely from producing engineers ready to enter the workforce to an emphasis on producing researchers. Our program is producing the engineers that the state’s economy needs, and doing so in innovative ways. Let me share a little information provided by the Faculty of Engineering website:

This is a new kind of engineering school organized to capture the convergence of scientific and engineering disciplines. Unlike conventional engineering schools where faculty members are appointed to an engineering department, UGA engineering faculty in the Faculty of Engineering are housed in academic units throughout campus. This innovative interdisciplinary approach to engineering increases opportunity for learning, research and outreach at the confluence of disciplines, giving rise to new but pervasive fields like pharmaceutical engineering, metabolic

engineering, marine engineering, ecological engineering, information engineering and biological engineering.

Academic programs emerging in this environment adopt an educational approach that gives engineering students broader learning experiences and prepares them for careers devoted to the integration of discoveries from multiple disciplines. The programs graduate engineers with liberal arts backgrounds. The engineering outreach programs enhance economic development and quality of life for Georgians, and prepare them to be global leaders in science, technology, education and sustainable development. This is an exciting development as well for UGA and the state.

As I announced in the State of the University address in January, I have designated \$4 million to the Provost to identify our most critical needs and hire faculty in those areas. As you might imagine, he has received a number of proposals, and is in the process of making some difficult decisions. But we simply must rebuild the core faculty strength we have lost in recent years as positions have gone dormant. One of the things that concern me most about this budget crisis is the damage it is doing to the faculty, particularly at the assistant and associate professor level. To maintain the quality we have built over the past two decades, we really must be constantly replenishing the ranks of the faculty and we simply have not been able to do that. This is a good first step, but it cannot, and will not, be the last. Demand for admission to UGA remains very high, which means that the college-bound population in this state does not believe that the quality of the education we provide has been negatively impacted – yet.

We have also made great progress on an issue that the faculty brought to us, and that is on-campus child care. While it is often the case that moving forward on a good idea in a campus environment with a heavily-layered regulatory structure is, well, challenging, this one may take the prize. More than 18 months ago we conducted surveys and contracted with a consulting firm to assess the demand for childcare at the UGA campus. Initial planning that was developed following these surveys -- and some of the options developed by the Provost and Finance and Administration -- had to be put on hold because of the serious financial constraints the university was facing.

Recently some renewed planning efforts have come together around an option that we believe can be accomplished. We have identified two buildings on the Navy School campus that we believe could be renovated for this purpose. When we are finally able to take possession of these buildings, around May or June 2011, we will then renovate these two buildings for that purpose. We will organize a competitive process which will lead to our contracting with a private operator to manage the child care center on behalf of the University and our employees. Details about price and specific make up of the services provided will be finalized in the selection and contracting process. This new childcare center could be opened as early as January 2012.

So, what is the New Normal? Let me share a few thoughts and then I'd like to hear yours.

- First, I think state support will continue to be a smaller and smaller component of our budget. Following the budget crisis of the early 90s, state funding to UGA was essentially restored over the next decade; I do not expect that to happen this time.

- Second, as state funding declines, the concomitant effect is that other sources of revenue will increase, primarily private funds and external grants.

- Third, collaboration across disciplines will continue to be critical both for funding, as agencies look for that in proposals, and also to meet the increasingly complex challenges of society.

- Fourth, we will continue to use innovative strategies to fund campus construction. I would guess that some 75% of recent campus construction has been either all privately funded or partially so. The days of the state building what we need are long gone.

That's a lot of information, but my hope was to set the stage for a conversation. I'd be interested in your thoughts.