

Board of Trustees

PRESIDENT'S REPORT

June 24, 2021

Thank you, Trustee Studley. It is wonderful to have our Trustees with me in person today. It has been a long time since we were able to gather in the same room, and this is a nice change. Good morning also to the faculty, staff, students and guests who are joining us virtually — we look forward to seeing you all again soon as well.

We are here today because our state and our nation are finally beginning to see a drop in the numbers of new cases of COVID-19. Since May 17, we have had only one positive case in our campus community, and our rolling seven-day average is zero.

These achievements are neither an accident nor simply good luck; rather, they are the result of many months of hard work by many members of our university community and our local health department. Together, we have hosted more than 40 vaccination clinics on campus and administered over 13,500 vaccines to members of our community.

Our work is not yet done. Resuming the majority of our engaging in-person activities this fall depends heavily on our ability to prevent the spread of COVID-19. Right now, the most effective tool to prevent virus spread is vaccination, yet vaccination rates among young people are low in our state. For individuals aged 16 to 29, vaccination rates are below 40% in Michigan, and the majority of our on-campus student body falls into that age range.

Earlier this month, CMU joined the national #COVIDCollegeChallenge, which aims to increase the vaccination rate among college students and young people. We are launching an aggressive vaccination campaign through our social media channels that will roll out later this summer. We hope to begin fall semester with a high percentage of fully vaccinated students, faculty and staff.

I want to once again extend my gratitude to the members of our Emergency Management Team and others who have worked tirelessly on efforts to keep our campus healthy and safe throughout the pandemic. We would not be where we are today without them.

As is always the case in June, our meeting today will focus heavily on CMU's budget and fiscal realities. Developing a balanced budget that appropriately supports our strategic goals and priorities is always a lengthy collaborative process; doing so after a year of pandemic operations has added new layers of challenge and consideration.

The budgeting and planning process began back in early fall semester. While we were focused on the uncertainties and navigating the effects of the pandemic, we knew we also had to be looking forward for the long-term success of CMU. It was apparent resources would continue to be strained, and at the same time, we needed to identify, and support the academic programs and student-facing activities that distinguish CMU. This required us to prioritize our efforts and create strategic alignment in our resource allocations.

The colleges underwent an academic prioritization process, led by their deans and faculty members. The administrative divisions undertook a similar process to prioritize their efforts and seek efficiencies in their operations.

Additionally, in December we announced our plan to end use of the Responsibility Center Management budgeting model, which is formula-based and has driven CMU budgeting practices for more than 20 years. Instead, we have chosen to sharpen our focus by creating a budget model that aligns with and supports our Strategic Envisioning Process and our goals for rigor, relevance and excellence through 2030 and beyond.

In April, I provided our campus community with an update of our budgeting process and introduced the need for additional expenditure reductions this year. These reductions are necessary due to a variety of factors, including our continued declines in enrollment, financial impact of COVID-19, rising operational costs and more.

Since our last meeting, division vice presidents, deans and other university leaders have worked diligently to finalize draft budget proposals for their areas that will maximize efficiency, support strategic priorities and maintain our student-centered focus. To that end, the budget we present today features no across the board cuts — there are no uniformly made reductions or increases. Instead, we looked at actual expenditures over the last two years, considering currently available resources and examining the possible impact of reductions on future operations, before strategically allocating resources to areas that will support our students and benefit the university as a whole.

At first glance, it may appear that revenue for the upcoming year is flat, which might raise questions about the need for budget reductions. You will note, for example, a revenue stream of approximately \$10M coming from our partnership with University Pediatrics. Those funds are earmarked specifically for the salaries of physicians and staff and the operational costs associated with those clinical spaces and research efforts.

It is tempting, too, to look at the funds coming from the Higher Education Emergency Relief Fund and wonder why cuts are needed. However, we must remember those are one-time-only funds with very specific guidelines for spending.

Half of those funds were earmarked to go directly to students, and the rest had to be used to offset expenses directly attributable to the COVID-19 pandemic.

And so, as we continue to anticipate no increases in state appropriations and continued declines in enrollment for the year ahead, we must make spending reductions to align with our anticipated lower revenues.

Like most institutions, our largest expense, our most significant investment, is in our greatest assets: our people. This year, CMU will see a nearly \$600,000 increase in cost to provide benefits for employees. We also have made the decision to increase staff salaries for the first time in at least two years, and faculty salaries also will increase as collectively bargained in this year's faculty union contract. With approval from the Board, we will implement an immediate one and a half percent increase to staff salaries effective July 1.

It may seem counterintuitive to raise salaries while making budget reductions, but I believe this salary increase is strategically necessary. To provide outstanding learning experiences for our students, we must have the very best faculty and staff. We must offer competitive salaries and benefits to attract and retain outstanding candidates. It is the right thing to do.

Achieving a balanced budget will require us not only to cut expenses, but also to increase revenues. This year, after much deliberation, we are proposing slight tuition increases for both undergraduate and graduate students — a move we see echoed at nearly every other college and university statewide.

For many of the past several years, CMU has been at the very low end of the cost spectrum compared with our peers in the state. We have taken every step possible to keep costs low for students and their families; and I am proud to say that, even with these small increases, we will remain one of the best values in education in our region. We are proposing a 2% increase to our lower-level undergraduate tuition, a 4% increase to upper-level undergraduate tuition and a 7% increase to graduate tuition.

It is important to remember that CMU merit scholarships are tied to a percentage of tuition, not a set dollar amount. This means that, for many students, the impact of these tuition increases will be minimal. We remain an accessible, affordable option for students, and we offer outstanding return on investment. Our students graduate well-prepared to be leaders in their careers and their communities, and we see that reflected in the stories our alumni share with us every day.

We also propose taking advantage of the current low interest rates with the issuance of general revenue bonds, the proceeds of which will not exceed \$39 million. We believe this action displays prudent fiscal management, as it preserves cash balances and reduces interest in our existing debts. In addition to refinancing some current debt, \$17.5 million of these funds will be used for planned capital projects, including deferred maintenance that will improve the safety and appearance of our campus. These investments and improvements will be made in alignment with our master

plan, which is currently being updated to better align with current strategic priorities.

In all of these budget decisions, we have kept student success and our Strategic Envisioning Process at the forefront of our deliberations. You can see this clearly reflected in our investments in key areas related to enrollment and retention, improving the student experience, enhancing academic rigor, and more.

For example, a key goal in strategic pathway one was to identify marquee programs that clearly demonstrate CMU's rigor, relevance and excellence and also meet the needs of our stakeholders in our state and region. As Provost Schutten shared with us yesterday, our academic program prioritization process has identified five key themes of need within our region and 24 programs of distinction that prepare students for careers in those areas. We will invest in these programs, as well as marketing and communications efforts, to raise the profile of the university and encourage renewed interest in all our program offerings.

For example, we are providing \$500,000 to support a complete renovation and overhaul of several computer laboratories in Pearce Hall. These investments, possible through a gift from an alumna that allows the president to fund innovative, transformative programs, will support our new Data Science program and enhance the infrastructure for our popular Computer Science and Information Technology programs.

In addition, as part of this first strategic pathway, we are taking a holistic view of student success and wellness. As such, we are investing in areas such as mental health and counseling services, as well as continuing to support programs such as proactive academic advising, career development services, financial wellness education and more. We are known as a university that puts students first, and these investments allow us to build upon that reputation.

Our efforts to improve and increase diversity, equity and inclusion at CMU also feature prominently in this budget and in strategic pathway number two. We have directed funds to our Office of Student Inclusion and Diversity to support additional staff mentors in Multicultural Academic Student Services and to increase Multicultural Advancement Scholarships.

This month, we welcomed CMU graduate Dr. Shawna Patterson-Stephens back to CMU to serve as our vice president and chief diversity officer. I look forward to working with her to develop and resource a plan to further our efforts to become a truly inclusive and welcoming community for all, and to achieve our moonshot goal to increase and equalize degree attainment rates, eliminating the achievement gap for all students regardless of their race, ethnicity or socioeconomic background.

Higher education is in the midst of an incredible transition, and there is no such thing as an effective "traditional model" of doing things in this new highly competitive environment. We must continue to innovate and adapt to our changing circumstances — this is the driver of our strategic envisioning process, especially among work groups for pathways four and five.

As we know, the pool of traditional first-year students has been shrinking and is projected to shrink further as birth rates decline. Today, the largest growing market for higher education is students 25 years and older with some college experience but no degree. We must position CMU to serve both groups with rigor, relevance and excellence.

We must first attract and enroll them. To support the goals of Pathway 4, I have reallocated \$750,000 from the President's Innovation Fund to support initiatives that expand CMU's footprint into new markets and strengthen our outreach efforts to new populations of students. This includes investing in technology and expanding recruitment into states throughout the Great Lakes region.

We also are investing heavily in our efforts to reclaim CMU's leadership in off-campus and distance learning, as well as programs to engage adult and non-traditional learners. I have directed over \$500,000, also from the President's Innovation Fund, to efforts to rekindle innovation and program offerings in our sites and centers, as well as online in line with the efforts of Pathway 5. This includes traditional degree programs, as well as badges, certificates and professional development offerings.

It is often said that a goal without a plan is just a wish. We have clearly established goals through our Strategic Envisioning Process, and our budget is our plan to attain them. This is not wishful thinking — this is ambitious and exciting transformational change. We are positioning CMU for sustainable success today, through 2030 and beyond.

Chair Studley, I would like to end my report today with some good news. I have talked at length today about the rigor, relevance and excellence we plan to achieve, but there is quite a bit of it happening already, every day, on our campus.

First, I am proud to share that recent graduate, Isaac Ritchey, just received two Hearst College National Championship Awards for Photojournalism. You may recall that Isaac was the editor-in-chief at CM Life last year, and in March was named Michigan College Photographer of the Year and Michigan Sports Photographer of the Year. He is an extremely talented journalist, and we are proud to have been part of his educational journey.

Next, please join me in congratulating our University Communications team, which received two international awards from the Council for Advancement and Support of Education. CMU's new We Do brand program received a silver Circle of Excellence award, and our Admit Kit, sent to all admitted students, received a bronze Circle of Excellence award. Both the new brand and the admit kit are critical pieces of our aggressive marketing efforts designed to get prospective students Fired Up about CMU.

Finally, I want to acknowledge the hard work and outstanding achievements of our Office of Global Engagement and Study Abroad Program. This year, CMU was one of only 19 institutions to be recognized by the Institute of International Education with the Seal of Excellence. The seal is given to institutions that set and meet goals to

increase participation in study abroad. Here at CMU, we achieved 40% growth over a five-year period, and, perhaps even more impressively, we increased participation among minority students by 40% as well. Preparing students for engaged global citizenship is a vital part of our mission, and our global engagement team has made tremendous progress in achieving it.

We have much to be proud of, we have much to look forward to in the year ahead.

Chair Studley, this concludes my report.