

**Address by Stephen P. Tocco, Chairman, Massachusetts Board of Higher Education to the Faculty Senate April 24, 2003.**

Thank you for having me. I was telling Ernie and a few others as I walked in that I tried three times this week to sit down and write prepared remarks, and every day something changed that was quite significant. So there will be no prepared remarks. I think, at this point in time, it's what we're all facing. I'm going to share some thoughts with you and then really open it up for a Q&A and a dialog. I really think it's critical that we talk, but I will take 10 minutes to sort of give some overview and some perspective to what we're facing here.

The Board of Higher Education oversees the system of public higher education. The amount of oversight varies among sections. For the UMass system, we have some oversight. In the state college system, we have significantly more, and the community colleges about the same. There are 29 campuses in the system, and the Board of Higher Ed is charged by the legislature and the governor to coordinate, oversee, and leverage the system in its entirety.

I think that there has been debate over the past three or four weeks or months about whether there should be a president's office or a board of higher ed, and maybe there shouldn't be a whole bunch of things. I do think there's an important function that someone must serve in looking across the system of public higher education and leveraging the assets of that system; backfilling the voids in the system to really meet the long-term agenda of the Commonwealth. I think that if no set group is taking that broad view of this, you will have the component parts, as they probably should, get up every day and say to themselves, "How can the UMass system be better than any other system, and how can every state college be better than every other one, and how could every community college?" That's exactly what those boards of trustees do, and it's probably what they should do, but someone needs to knit this together and needs to understand that, in a world of unlimited resources, it probably is less important. In a world of very limited resources and declining as we go forward, it almost becomes a requirement that there be some group of people that understands how best to leverage across the system to meet the various needs of the students that need and use this system from top to bottom. That really is the role of the Board of Higher Education.

There's been a lot of turmoil. Early on when this budget crisis was articulated through the political process, I think many people thought it was going to be less severe than it is and many people believed that we'd be able to deal with it when everyone finally settled in. And a whole bunch of things happened along the way. It was far more severe; the economy was in a downturn, and still remains in one, for a lot longer than anyone projected. There's significant job loss, and there's significant revenue loss to the Commonwealth. I don't think Governor Romney expected it to be this bad and, quite frankly, neither did the legislative leaders that have been there for the last six to 10 years. So everyone woke up and dug into this budget mess and looked at a problem that projected about a \$3 billion deficit. We can't lose the context of that, and I don't want this to shift to a debate of whether we should get more tax revenue or whether we should do this. The fact is there's a \$3 billion shortfall, and I think, at that point, everybody rolled up their sleeves and said, "How are we going to deal with this?"

Part of the equation, certainly, is public higher education. It's \$1 billion of a \$23 billion budget. It's a significant piece of that budget, and unfortunately, I think that many lawmakers look at the public higher ed system as having release valves—maybe release valves that Medicaid programs don't have or elderly services don't have or the Commission of the Blind doesn't have. They tend to think, and I think unfortunately we're in a Catch-22 on this one, that there are ways that the public higher education system can go to solve their problem. They can raise fees, they can do some cuts, they can go get endowments, they can recruit grants, but there are ways they can fix it. That's sort of the way they think, I believe. There are ways they can fix it that other sectors of the budget don't have, so, although we don't intentionally get up everyday saying we're gonna hurt public higher education, in the laundry list of tough choices, they believe there are other options. I think that's an issue I want to put off to the side for a moment because we've got to think about how to deal with that.

When you really look at the principals of the Romney plan--and I don't want to get hung up in the details of the Romney plan because my sense is that it was someone's idea about how to deal with a significant cut as much as it was about reorganizing higher education--the premise upon which the Romney team moved was "We need to cut in the ballpark of \$200 million; how are we going to do it?" I carved out several principals that I really think are important, and I don't want them to get lost in the politics of this debate of the politics of the President's Office or anything else. I think the principals are important and may, in fact, be fundamental to building the system going forward. One of the objectives was that there are significant administrative cost savings across the whole system. I'm not just speaking for UMass and certainly not just UMass Amherst, but what the Bain consultants did that I thought was valuable—was to point out areas of potential cost savings, examples. Across the state college system, there are some campuses that can process an application for \$2.80, as an example, and others that are doing it for \$12.50. The Bain report simply said, "Well, if you just took the median and get everybody to the median, you're going to save X amount of money across the system." They did that across a whole series of administrative functions. I think that work was valuable. As we move into this cost-cutting requirement, based on where these numbers look like they're headed, I think the Bain report should serve as a guideline to some that are going to figure out how to do this and do it in a way that doesn't affect classroom services or programs. That was the challenge to the Bain team, and in my review of that data, there is some important information that people should share, look at and analyze. It may give them a roadmap of some places that they may not have thought about.

Another one of the Romney principles was that UMass Amherst should be a flagship campus. I've argued this for two and a half years since I became Board Chair. I know the Governor believed that because I've spoken with him directly about it. I think he came up with his idea about how to best make that happen. Now, clearly, it's not going to happen the way the Governor wanted it to happen, but I don't want to lose that principle. I don't want this to be a principle that goes out the window with the program, because UMass Amherst as a flagship to the entire system is a critical objective. One of the things going forward that I certainly want to probe with legislative leaders--I certainly would like to understand better from the Chancellor and the team out here and the Board Chair and President Bulger--is to define what that means. There are a lot of people talking about it right now. If there's a silver lining in some of this mess, it may be that

there's a building consensus that UMass Amherst needs to be a flagship campus. That's not enough. We need to know, what does that mean? What do we have to do to make that happen? If everybody simply doesn't like the Romney approach to get there, but they believe in the principle, then I want to start talking about how to accomplish that. So, I don't want the political debate to be a distraction away from some core principles here.

The third principle in the Romney plan, which I don't think needs to get thrown away, is a more direct link with economic growth and expansion. I had served as Secretary of Economic Affairs in the early '90s and actually wrote the first economic development plan for the Commonwealth, which took us about a year to do, and it was the first one that had been so drafted in about 15 years. It was pretty clear, when you get through that process, after 59 hearings and all kinds of testimony, that one of the underpinnings to the economic success of the Commonwealth and one of the requirements for growth and expansion going forward is our work force. We're in a high-cost state, both in terms of housing costs and business overhead costs, but our leverage and our advantage is intellectual property and workforce productivity. Those are the underpinnings. Well, that issue of workforce productivity sits in the public higher ed system, in my view. When you look at the current data, approximately 62 or 63 percent of the workforce in Massachusetts is educated in the public higher ed system, through the University system, the state college system and the community college system. Almost 2/3 of the workforce of this commonwealth, where productivity becomes the key to success going forward, are educated in the very system that has been significantly harmed in terms of funding over the past several years. I think that is a potential disaster in the out years, and people need to start to think about that. This link to the economy—in some areas of the state it's better defined than in others—but when we have severe nursing shortages in our health care industry, that's one of the underpinnings to our success, and when we're training very few nurses in the community and state level, there's something wrong. We need to marry those needs with those educational objectives. We need to produce the skilled workers we need to continue to grow those industry sectors that are going to carry us into the future. So, I do think there needs to be a link to the economy and maybe a more formal one. Governor Romney took it to a degree that people aren't comfortable with, but again, I don't want to lose the principle of a more comprehensive direct dialogue and link to long-term economic planning and investment in higher education.

The other principle that I think the governor was trying to get to was one of campus flexibility. This issue of how higher education gets funded in this commonwealth is about as bizarre as it gets anywhere in the country. When you have tuition that gets established by one body, paid by another group of people, and then handed over to an entirely different group of folks that have no relevance at all to the place where they go to school, that's a problem. When you have no oversight at all or formal planning on fee increases—they're random by campus; any board of trustees can raise fees to any level, and fees right now make up roughly 2/3 of the cost of education to a student—I think we've got to get rid of this confusion in the minds of a whole bunch of people, and quite frankly, even in the minds of the students. Tuition and the cost of education is the cost of education. And let's call it what it is and let those resources return to the campuses where those services are being delivered. That's sort of a basic business principle. I think that's where the Governor was trying to go with that one. It always struck me, especially when

looking at the specialty institutions--I would consider Mass Maritime, Mass College of Art, UMass Amherst, as specialty institutions. There has been discussion over the past two years about why we don't have more out-of-state students at those specialty institutions. Those specialty institutions continue to argue that they're an elite group across the country, and in many cases across the globe, but the numbers aren't dictating that. Well, it's obvious, as a pure businessman, you don't keep any of the tuition that you get from out of state. Why would you invest money to go bring in out-of-state students when, in fact, it's going to cost you more if they get to campus because you don't keep the money? This is an issue that, to me, is really not that complex, but no one has really been able to focus on this one. I really think certainly in the specialty institutions, if you allow them to retain tuition, it's going to be a revenue stream that will help them, and it will be an incentive for them to broaden their wings to some degree, because again—I'm not talking as a pure educator, I'm talking as a businessman—it's a good business deal if you go out and get them because you're going to get more money and you can keep it. So that sort of campus flexibility was built into the governor's plan, and I'm fearful that we're not going to see any of that in what the legislature ultimately does. That principle is one that I think is very important and we need to continue to talk about.

We need, as a system, to change the dialog from that of higher education being a budget cost item to it being an investment item. It was very effectively done in the K-12 debate, where, over the past 10 or 12 years, there was an agreed-to funding level that every institution across the state was going to be brought up to. There was an investment of \$20 billion over that period of time. So, there's already been a philosophical leap that at least one sector of education required that kind of investment. Even in bad budget times, it got that kind of investment. I've argued this to the legislature, that you may be marching a lot of these young people to a cliff because we're so proud about how well we're doing in K-12. If we close off access or make it less affordable or lower quality, and in the only system that most those kids can then go to, what did we really accomplish? We're going to frustrate them. So, it seems natural to me to link this investment strategy in K-12 now to the life-long learning system of the Commonwealth. It's sort of an argument I think we can make successfully to help make them begin to look at the higher ed line item as an area of investment and not simply as an area of cost.

I think we need to deal with this question going forward. One of the core principles of UMass being a flagship success not just a flagship defined by rhetoric--because that's what I think it is up to now--is that there hasn't been the commitment and investment to make this campus world-class. It has become almost world-class in spite of the lack of funding in many ways. If we all collectively believe that this is an important objective, and I know people on this campus do, but if the public policy decision-makers believe it, then they've got to start walking the walk. They can't simply do this across the board. They're going to take their fair share like everyone else is. If it's a flagship, it's a flagship, and we need to invest so that it becomes a flagship. If you don't want to do that, then stop calling it a flagship and stop trying to make it a flagship. It's very frustrating, I think, for people that work out here that hear those words, but nothing backs it up. And again, I want to define what that means over the next several months. I'm going to sort of walk off on my own research project to get some definition behind that, because I think one of the things we can do is hold people's feet to that fire. You said 'flagship' in

the Senate, you said it in the Legislature, you said it across the UMass system, and you said it in the Governor's Office; well here's what it means. So let's all buy into it.

I think the last big objective going forward is that we've got to come through this mess and have a system from top to bottom that is accessible to the vast majority of people that need this system in the Commonwealth, that's affordable and retains or achieves the kind of quality levels that we need to achieve in order to become globally competitive. Those are the three principles that will guide the Board of Higher Education going forward. In light of all this—you read a Wall Street Journal article yesterday, and those of you that didn't you may want to pull it out--it talked about what's going on across the country in terms of public investing in public higher education, and it's a sad story. Many of the institutions, although they enjoy the revenue stream, the investment is so small that they're wondering if the restrictions that come with it are even worth it. "Let us go and keep your money, and we might be able to figure this out for ourselves." I mean, the University of Michigan is down to three to five percent of a student's education paid for by public money. The University of Virginia, I think, is at 12 percent. Out here we're at about 33 percent, which isn't great, but it's about the average across the country. The trend lines are not good. So, this whole issue of how is public higher education going to get funded, how do we link quality and access objectives with the right funding programs and the right state support and the right tuition programs is an area of critical study.

We have, at the Board of Higher Ed, brought on a national expert on this whole issue of financial aid. There are models out there where you've really got a high tuition and high financial aid. It does seem a little silly to me that everybody, for the most part, pays the exact same, irregardless of a family's ability to pay. Maybe we have to look at that. I'm not suggesting that's where we go, but I'm suggesting that this whole area needs some real study. The status quo on how we have funded ourselves in the past, if one thing we can look ourselves in the mirror and say is, "It's not going to continue going forward, and the trend lines are headed in the wrong direction," is we continue to moan about it and do our rallies and our demonstrations. I think that's a healthy thing, but the fact is we've got to figure out an alternative plan on how we're going to get to access quality and affordability in a different way, and that is very much an open question, in my mind, here in the Commonwealth. So, as Bill Weld used to tell me, those were thoughts while shaving.

It is a very, very frustrating time because I'm burdened in many ways by having served in Governor Weld's administration as his senior advisor when we had to deal with \$1.8 billion worth of budget cuts when we took office in 1990. It was very, very difficult. Until you sit in that room and say no to certain programs that you never in your life thought you would say no to, to the point where you go home at night and be sick. It's just a very, very uncomfortable place to be. As much as I may disagree with some of the decisions that the public policymakers are making, I am very sympathetic to where they sit. I think it is a very, very tough time, and it got so bad when I was in the Governor's Office that we actually assigned a scheduler to schedule the demonstrations and the rallies because they were coming so frequently they were clashing with each other, so we put a scheduling office in place. You let them do what they wanted to do and then you'd create an opportunity to at least bring people in and talk to them. If we didn't schedule it, we wouldn't have been able to do half of it. And that's a pretty sad statement.

I think that's where this whole mess is headed in the very near future, but, I do think we can't give up. The comment, "If we don't succeed with this rally, we should fold up our tent," I'm not folding up my tent. I don't think we can fold up our tent. We owe it to the young people that need this opportunity and this great education so we're going to keep fighting. We may have to fight a different way and a different day, and we may have to be more creative, and we might have to make some adjustments. We might have to change a little bit of the way we've done business, but giving up in my view isn't the alternative.

So, I wish I could have come with better news, but at this point in time, there's not a lot of good news.