As you all know, we have been through some pretty rough times in the last few years. It feels good to be on the rebound. We are very realistic; very pragmatic. We know that we still do not have enough resources. We know that we are not back to where we should be. The fact is that we are on the rebound and things are beginning to happen. We are in the midst of a faculty renewal, which is very exciting for me. It has been one of my dreams and I know it has been Chancellor Lombardi’s dream. I have talked to enough of you to know that it has been your dream to see a rebuilding of the faculty. That has launched and it is underway. We heard today what some of the challenges will be in getting that done, but we are off and running. We went through the tough time and we survived. I want to always say “thank you” to any group that I speak to. We survived because of the work that you did. It is because of the work the faculty, staff, and administration did to bring us through that and get to the other side with our core quality intact and our students pretty well protected. We did not cut enrollments as many universities did during that time. I would assert that we did not compromise on quality either. We did not compromise on the quality of our courses or on the quality of the faculty that we hired. We are glad to see that revenues are on the upswing. I am going to go through a lot of things. By the way, stop me at any time for a question or a comment. I will apologize ahead of time that, at the end of this, I am going to go running off because I have to be back to a United Nations dinner in Boston tonight. I am doing my usual up and down the Mass Pike day. I spend a big part of my time on the Mass Pike going back and forth.

I want to put the University system in context. The University of Massachusetts system is a $2.2 billion enterprise that we are all engaged in together. There are five campuses, eighty off-campus sites, 14,000 employees, 58,000 undergraduate, graduate, and continuing education students, and 11,000 graduates annually. There is no other university in Massachusetts that can even come close to the scale that we bring. Three hundred and twenty thousand alumni – as I love to say in Boston – living, working, and voting in Massachusetts. You kind of wonder why we have not done better with that kind of voting block. The reason is because we have not organized it, we have not appealed to them, and we have not made our case to those alumni. The fact is, if they were united in support of the University of Massachusetts, then $150 million budget cuts could not happen in this state because it is just that powerful a political block. The fact is we have not been united. In fact, sometimes we are even divided in shooting at each other. When that happens, it is pretty easy to ignore the University of Massachusetts because we are all pointing in different directions. If we can get to the point where those alumni really identify with the University, we can have pride in the University and step up right away and say, “I went to the University of Massachusetts.”

I am thinking of the 900 alumni we have in Boston on Glenn Mangurian’s breakfast list of CEOs and Vice Presidents of organizations who graduated from the University of Massachusetts, most of them from the flagship campus. That is another force that is completely unorganized. We have over 450 B.S., M.S., and Ph.D. programs. We have an over $2.2 Billion Capital Program with strategic new construction and deferred maintenance. It is what Chancellor Lombardi loves to call “New Dirt.” It is good to see all of those “New Dirt” signs, though I have to figure out a new path every time I come onto campus for my walking and getting in various places, especially parking in the garage. They actually managed to stump me last week when I was trying to get into the garage. It was the first time ever. I was only stumped for about ten minutes and I finally figured it out and got into the garage.

We are well recognized. We may not be as well recognized in Massachusetts as we are in other places outside of Massachusetts. Most of you know that I was a professor at Rensselaer Polytechnic Institute in New York before coming to University of Massachusetts and before that at the University of Maryland College Park.
The University of Maryland has a similar type of system. When I was there, I always had strong relationships with the University of Massachusetts Amherst and faculty here that I still see when I come onto campus. It really has this fantastic reputation. However, last year when The Times of London picked us as one of the fifty top universities in the United States, I have to admit, I was surprised. I was surprised because I do not think that we get the recognition we deserve for the quality we actually have and it was great that they happened to see it. I will explain it on a personal level in terms of the difference in their methodology and the way we have often thought of ourselves. I am a professor here at University of Massachusetts Amherst, so I can say to people that I am a professor at the 104th largest research university in the United States or I can say I am a professor at the 25th largest research university in the United States. Which would I prefer to do? I’d prefer the 25th, right? That is if we think of ourselves as a system and that is exactly what The Times of London did. They just put it all together. I then asked what other people do. In fact, other places have figured that out and that is how they go up in the rankings. They are not afraid of taking credit in other places. So, I have this dream. We have a faculty member at the Medical School who, I believe, has a very serious chance of winning the Nobel Prize for the discovery of RNAi. I, as a University of Massachusetts Amherst faculty member as well as president of the system, would still consider him a colleague when he wins the Nobel Prize. That is a University of Massachusetts faculty member and one of my colleagues. That is kind of the way they looked at it and that is why it happened.

Let us talk about the state of things on affordability. You know that that took a hit when we went through the bad times. When I came in, I went to the legislature, I sat down with the chairs of Ways and Means and I made a pledge. I said if you can keep our funding stable, we can keep fee increases under the cost of living. For three straight years, we have done that. I am very proud of that and I think that it is a terrific thing. U.S. News and World Report did a study of universities and it turned out that University of Massachusetts Amherst, the flagship campus here, has one of the best records in graduating students without debt. Do I think that we should do better? Absolutely, I think we should do better. Do I think we should be thinking about programs to lower that further? Absolutely. I have even asked our financial people to look at various models around the country to see what we could do to provide the financial aid to make sure the students are graduating without debt. The fact is that we are doing pretty well already. That is good news. We did raise fees substantially four years ago during the emergency time. We had to in order to survive a $150 million budget cut. We cut expenses and we raised fees. We tried to do that as best we could. If we had not been able to do that, we probably would have laid off about 1,500 people. One of the things that we said is we do not want to disadvantage any students because of this. The only way we could do that was to reprogram a lot of money and we are meeting 91% of student financial aid to give back financial aid to those students who are most in need. That means that the impact of what happened a few years ago was on the upper-middle class students because we program most of the need-based aid in to those students with the most need. Of course, the applications were up all across the system. They were up 14% at University of Massachusetts Amherst. The student quality is up as well.

How about fundraising? First of all, I will say that we need to do a lot of work on fundraising. I look at a lot of things and ask, “How are we doing compared to our peers?” I look at our research and I would say we are major league. We play in the big leagues. In philanthropy, we do not. We do not play in the minor leagues, we play in the little leagues. We have a lot of work to do on philanthropy. That being said, we put more money in the endowment last year than in any time in history. That endowment is the flywheel that helps us get through the tough times. That is what you can draw on when state appropriations are going up and down. That was good news. There were two major factors on that. One was that we had $9 million dollars from the state. We went out and matched it with $18 million of private money from donors. We put $27 million in the endowment. The state always talks about that they want a rainy day fund. I said if you give us the money for the rainy day fund, we will put two dollars for every one dollar you give us and put that in a rainy day fund. How is that for a rainy day fund? We are pretty proud of that and it makes all of the difference in the world to the donor. If you go to a donor and you say, “Please give me a million dollars for an endowed scholarship fund,” some donor might say, “Well, then the state will just take their money back.” Now we can say, “No, in fact, the state will put their money down right on top of yours to go into that scholarship fund or endowed chair.” That was good news and we see that bill coming along.

The first part of Nantucket is in and it will eventually yield about $20 million. The endowment is up at its highest level ever at $225 million. It is still small. We have a long way to go. The President’s Office invested
$800,000 in the Amherst Development Staff. We are looking for a new director for the UMass Foundation. We are in the end game of a search on that. By the way, come to the Boston Pops. We will be honoring two individuals. One is Mayor Tom Menino who is an alum of the UMass Boston campus and Andrew Rudd who was the largest donor last year and created the largest endowed chair in the history of the University of Massachusetts right here at Amherst. I think it comes out to about $6.5 million after we use matching funds from the state and matching funds from Nantucket to polish that off. I believe his donation was about $2.5 million. We are there to honor them. I am looking forward to it. It is always a great evening. I hope you will make it there.

Because of the system, we are essentially in every region of the state if we include the Berkshires as part of a service region out here in the west. We are in the west, central, northeast, southeast, and the Boston Metro area. We should be able to pull the political support, corporate support, etc. from all regions of the state, if we organize and we stay together.

We are a major force in the research area. We are a major league research University. We had $377 million in R&D across all of the campuses. Every one of the campuses is a major research university. Campus-by-campus research is really growing. We expect that that will continue to grow. The climate is not great for research dollars right now. It is getting tougher and tougher. We consider our competitive position to be getting better and better. As we build new buildings and bring on faculty, we expect this to grow. We have been very careful about targeting our R&D initiatives into some of the areas that you see here on the slide. We have created an office of Commercial Ventures and Intellectual Property. Last year, we passed Harvard in commercialization of intellectual property revenue and, this year, we passed MIT. When the Boston Globe carried that article, Lita Nelson, an old friend I have known for years and who is in charge of this at MIT, growled and said, “It is not a horse race.” Well, no Lita, it is not and that is usually what you say when you are in second place. The fact is we play in the major leagues. It is not who is in first or second, it is just that we are a horse and that is very important to us for our research. It is important to us for revenues. It is important to the state because that creates the innovation economy that gives jobs to the students that we graduate and keeps us economically healthy. We created the Mass Technology Transfer Center. We have high-tech incubators and corporate partnerships. Microsoft has a new partner out here that many of you have heard about and you are going to hear more about soon. UMass Online has grown like crazy serving 21,200 students with 57 programs and generating $21.2 million in external revenue. Much of that is in the Isenberg School of Management. It is the difference between being an average management school and a management school that can really make a difference. We have made targeted investments to try to grow these things. Our first investments out of the President’s Fund seem to be paying off very well. I calculated that there is about a thirty-to-one return on investment of the money that we put in the President’s Fund and then invest it. These are the projects just at Amherst that were funded out of the 2004 round and the things that they brought in. For 2005, it is too early to know. We have invested about $770,000 in seven Amherst projects that have resulted in over $21 million in new resources for the campus. We are ready for the next round.

The State Appropriation . . . I came in September 2, 2003 so I remember that date pretty well. I just date everything from there. That was right after the crash. It is nothing to run out and celebrate about, but it is pretty good. It is a pretty good rebound. The $427 million in the House budget was just passed last week. That is huge because the House usually does not carry our budget, the Senate does. We usually expect the House to come in low and the Senate comes in high and then they negotiate. Now that we have the House coming in higher, we are hoping that the Senate will take the same role that they usually do. The other thing that happened today is that I got a call at about 11:30 a.m. that they just passed the retro funding for this contract. They were holding the Senate open in informal session and we hope they get that through by the end of the day as well.

With that said, I always come back to this slide. Once we were state supported, then we became state related, then we became state acquainted, then state located. There is more but I cannot do it publicly. The percentage of the budget from the state has gone down tremendously. The pledge that we can keep things together with a stable budget is just that, a pledge for a stable budget. Do we wish that we would see a reinvestment in public higher education? Absolutely! This is what we face today; these are the numbers. We were once 40%; we are now 20%. Amherst gets roughly half of the state appropriations. Worcester is at
7.84%. There are stories that this has changed dramatically over the years and it has not. Another idea out there is formula funding. I like the idea of formula funding, but we have to be very careful at the University of Massachusetts about that. The fact is we do not have to apply the formula on the allocation and so we do not. What does that mean? The Medical School has the ability to generate revenues. They get much less than their formula application which would be double of that 7.8%. When we start hearing that individuals want to force formula funding campus by campus, what that says to us is that these percentages will change rather dramatically. Worcester would more than double and the others will take their proportionate change. If you wonder why I oppose mindless application of formula funding, that is why. This one works and we believe that it is fair. It does mean that there is a subsidy going to the undergraduate campuses. We think that is fine. The Board of Trustees review it every year and we are happy with it. Some people say that we could change the formula and, therefore, it would take care of that problem. We might be able to do that, but then we go back to that map of a state. Whoever the winner is will vote yes, the other four losers will vote no. We probably would not be able to change the formula in the end because it would be a one-to-four vote. Instead of thinking about how we cut up the pie, we try to go out there and get as much resources for the University of Massachusetts as we can possibly get. We should get it in all sorts of ways.

This slide is the “New Dirt.” This is right off of the UMBA financial system. I have them all, but I brought the Amherst figures here. These are the projects that we have underway. If you look at that, you will see that all of these have been started recently so this is a tribute to all of those who have worked for Chancellor Lombardi, Joyce Hatch, and everybody else on the team here and the people in the President’s Office and UMBA. Suddenly trying to go from zero to all of these things has been a huge lift. In fact, when I go back to that UN event, David McKenzie, the head of the UMass Building Authority, will be waiting there for me with the bond certificates that I am going to sign to fund all of this. This slide is the “New Dirt” for the whole UMass system. We think that the Lowell number could go up quite a bit. They have been making some noises about things that they want to do. Dartmouth is large because they are building dorms. These numbers vary depending upon what is being built at the time. This is the present situation.

We have a good news story. It is a good news story because of all the work that you did. We are trying to make sure we tell that good news story everywhere. This is one of the ways that we tell that good news story on television. I hope you have seen this, but you may have not. (UMass television advertisement plays.) This ad has tested better than any ad that we have done in terms of getting people excited about the University of Massachusetts because it focuses on a group of our really outstanding alumni and how they have changed the world. It causes people to open their eyes.

Thank you very much. I would be happy to hear anything that you would like to say or any questions.