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**Legislative Finance Committee Meeting
Taos, New Mexico - Wednesday, August 11, 2010**

Higher Education in New Mexico – Phase I Report

President Schmidly's Remarks

Members of the Legislative Finance Committee and guests, good morning. I appreciate the opportunity to come before you today, to talk a little about the LFC's Phase I report on higher education in our State.

First, I want to commend Mr. Charles Salee and the entire Program evaluation team for their exemplary work throughout this process. Their professionalism and thoroughness are to be commended, as the quality of the Report clearly demonstrates. Our team at UNM found everyone very easy to work with and especially appreciated the conscientiousness and quality of their investigation.

I speak for the entire UNM team when I tell you that, from our perspective, the report is excellent. As we say in our formal response, we believe that if most of the recommendations in the Report were implemented, we would have a better performing system of higher education in New Mexico. And the idea of having a true "system" is a critical concept as we look to the future. It is this concept, and UNM's role in that system, that I would like to spend a significant portion of my time talking about this morning.

Everyone here this morning is aware that the University of New Mexico calls itself a "flagship" university. By "flagship" university, I am referring to those fully mature public universities that have become centers for research and graduate education, and that have developed a series of professional schools that add to their size, scope, and preeminence. Virtually every state in the U.S. has one or more flagships!

UNM was founded in 1889, during an extraordinary period of university building that took place in the United States from the 1850s through the 1880s. The term "flagship" came to be used after World War II and mostly in the 1960s, when the

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U.S. underwent its second big expansion of higher education. And central to my remarks today is the fact that the ***missions and roles*** of the “flagship” universities came to be differentiated from the missions and roles of other higher education institutions in several ways:

- First, a “flagship” university is a center for research, innovation, and scholarly creativity. When the research mission is carried out effectively, the scope, impact, and benefit of that research extends far beyond the boundaries of any one city or state, or even country. We have many examples of research of this magnitude at UNM:
 - For example, last week the Albuquerque Journal featured a story about Regents Professor Zachary Sharp, whose research related to the presence of water on the moon is leading to new understanding of our world and the universe.
 - Another example is our team of Health Sciences Center researchers who, in partnership with Sandia National Laboratories, developed a portable, handheld biosensor device capable of detecting dangerous viruses, bacteria, and other pathogens within seconds or minutes. Their work was recognized as one of the 100 most technologically significant new products of the year by R&D Magazine. This is also an example of how the partnerships we form and the research we conduct at UNM can positively affect the economics and well being of the citizens, not only in New Mexico, but the entire world.
 - On other health-related topics, The Robert Wood Johnson Center for Health Policy at the University of New Mexico is emerging as a leader in addressing health-related disparities as they relate to minority populations. And the HSC recently received word that the UNM Clinical and Translational Science Center has been invited to join a 55 member National Institutes of Health powerhouse consortium to accelerate research findings into health solutions. This is an invitation that comes with a five-year, \$23 million grant.

These are the kinds of benefits a state receives from investing in a “flagship” university.

- The second differentiating factor has to do with ***who*** we teach. In addition to providing high quality education for undergraduates, the mission of the

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“flagship” university is heavily focused on graduate education. And, much of that graduate education is tied to the research mission. Recently, the work of one of our doctoral candidates in the Department of Biology, Christopher Eppig, was featured in the July issue of *The Economist*. Christopher’s research focuses on the effects of infectious diseases and parasites on brain development of people in the developing world, suggesting that as diseases are conquered in poor countries, the cognitive abilities of their citizens will rise. This is an example of what our students are capable of achieving when our teaching and research missions intersect.

- That brings me to the third major differentiating factor of a “flagship” institution, and that is the complexity of the roles of the faculty. At a flagship, faculty are certainly engaged in teaching students. However, they are also engaged in research, mentoring, community service, economic development activities, technology transfer, and international professional organizations. And while all colleges and universities have teaching as a core mission, a flagship has “research-driven education,” where faculty members are not simply teaching from text books, they are engaging in the investigation and scholarship that is *creating* the textbooks.

As a “flagship” university, UNM is indeed complex in its structure and mission, and also in the roles that it plays in the economic well-being of our State. Here are a few elements that contribute to that complexity, as well as to UNM’s uniqueness:

1. In addition to our Main Campus in Albuquerque, we have four branch campuses and a new start-up campus in Rio Rancho. Collectively, these sites serve more than 33,000 students, making UNM the largest four-year university in the state. Two of our branches, Gallup and Taos, collectively enrolled over 2,300 Native American students for the spring 2010 semester, making them the largest serving public institutions for Native Americans in the country. All told, over 4,200 Native American students are enrolled in UNM courses, which is a tremendous point of pride.
2. UNM has the only schools of medicine, law, pharmacy, and architecture in the state, and the medical school conducts operations in 125 different

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sites in New Mexico. In addition, UNM has several museums on the Main Campus, a large art museum in Taos, and a major field station near Socorro (the Sevilleta).

3. UNM enrolls 48% of the state's college students and makes up 42% of the state's entire higher education budget. Additionally, UNM confers more than 80% of the doctorate and professional degrees in the state.
4. UNM is the only Research 1 (Very Intensive Research) university in the state – with almost \$330 M in research contracts and awards in 2008-09.
5. UNM is a major economic driver in NM as the second largest employer in the Albuquerque region and fifth largest in the state. The UNM budget exceeds \$2B with less than 20% coming from state appropriations. While it is not a corporation, it has many complex business operations including several supportive components formed under the NM Research Parks Act (STC, the Science Technology Corporation; Lobo Energy; and Lobo Development).

As you can see, UNM truly is an economic engine for the State of New Mexico. The Association of Public Land Grant Universities (APLU) estimates that universities create 1.6 jobs for every job that is funded, and that every dollar received multiplies at least five times in the economy. Using these multipliers, the total impact of UNM on New Mexico's economy would approach \$9.2 billion. That is what the taxpayers of New Mexico get for an investment of about \$301 million state tax dollars to the whole budget of UNM. This return on investment is indeed significant, and is perhaps unequalled among the total of all general fund appropriations.

I share all of this with you today to provide perspective on how UNM, as New Mexico's "flagship" university, may view the LFC report differently than other higher education institutions in our State.

As I stated earlier, we believe that this is an excellent report, and we agree with most of the recommendations. For example:

- The Report recommends increasing admissions standards, and we strongly agree with this and have already taken steps to do so.

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- We further agree that establishing and communicating research goals that help to inform strategic investments and better inform the community about the benefits of research at a flagship institution are a good idea.
- We also agree that greater focus and energy should be placed on graduating students in a timely manner. However, as we have stated in our response, a shift in focus from numbers of students enrolled to numbers of students graduating should be accompanied by a change in the funding formula. Right now, the funding formula primarily rewards growth!
- We agree we should be accountable and transparent in explaining our teaching loads to the public.
- We agree that we must seek new methods of budgeting that are not strictly incremental. Toward that end, UNM's Executive Cabinet, Deans, Department Chairs, and members of the President's Strategic Advisory team have already attended presentations by Dr. Robert Kvavik of the University of Minnesota to learn more about Responsibility Center Management. We will evaluate RCM along with other incentive-based models to maximize revenues, improve effectiveness, and gain further efficiencies over the expenditures of the University.
- And finally, we agree that UNM should build on the already-effective efforts of the President's Strategic Advisory Team to seek further opportunities for cost containment. For example, we have reduced energy use at UNM by more than 17% since May of 2008. This year alone, our energy reduction is nearly 19%. That equates to \$8.1 million in gross avoided costs and a net savings of \$3.8 million. In this time of budget cuts and energy rate increases, it goes without saying that this program is making a big difference. Our partner in this program, Energy Education Inc., is a private energy company out of Dallas, Texas.

Now, I must say that from the perspective of the "flagship" university, the report does not always go far enough to address the complexities of higher education. Case in point is that UNM's "Strategic Framework" contains four "Strands of Priority." These strands include Student Success, Systemic Excellence (in research, undergraduate and graduate education, and other areas), Healthy Communities, and Economic and Community Development. The report does a great job of looking at the first two strands and somewhat discusses economic development, but does not at all address the health and community development

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aspects of UNM's strategic priorities. We believe that if we are to move forward and truly make systemic improvement in higher education in New Mexico, we must consider all aspects of that system.

Additionally, we cannot lose sight of just how interconnected the recommendations contained in the Report actually are. As I already mentioned, focusing on graduation rates will require a change in the funding formula. Clearly communicating with students and parents about what their tuition dollar buys them seriously challenges the current tuition credit practice that, in effect, masks the true cost of attendance. And, developing a real strategic plan for a "system" of higher education that can truly be implemented will require that all stakeholders are included in the discussion, and that the diverse roles that the higher education institutions in the state play are clearly defined and understood.

I do want to talk about two concerns before I conclude with what I see to be the good news.

The first concern is about UNM's ability to fund its mission, given the past, present and future economic challenges. If the next two projected budget rescissions or reductions come to fruition, UNM will have lost approximately \$40 million – or 20% - of its State support. UNM has been able to cope with reductions to date without seriously compromising the academic mission, and without resorting to system-wide furloughs or layoffs that would have a serious economic impact on the work force and further add to the State's unemployment problem. And while we are engaging in a review of our academic programs, should prioritization become necessary, we also must ensure that we can deliver a quality education to students who have already chosen to attend UNM. I must say that unless the budget cutting stops, we may end up being something far less than a true "flagship" university.

The second concern, and one I have already touched upon, is the tuition credit practice. UNM strongly believes that the current tuition credit practice in our state is an undesirable policy. We believe that ending the use of the formula tuition credit policy would empower the State's universities to think more critically about their tuition rates and, in the end, to compare more authentically with their peer groups.

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To close, I will circle back to the concept with which I started: Creating a “system” of higher education in New Mexico. In the “flagship” university’s vision of an ideal world, this system would provide appropriate access points for every citizen who desires higher education. Those access points would take into account students’ abilities, interests, and goals, and would guide them to the most cost-effective and appropriate options based on all three. We believe that the HED is poised to assume a strong leadership role in creating such a system through the development of a strategic plan for higher education. And the University of New Mexico stands ready to engage as a strong and energetic partner to bring about the positive changes in higher education that our citizens deserve.

Thank you for your continued work on behalf of this cause, and thank you for the opportunity to share my thoughts with you today.