

Transcript of President Michael Crow's Message to ASU Students regarding ASU Finances 10/20/08

Hi. This is Michael Crow.

I wanted to bring students up to date on where we are financially at ASU. I know all of you know, if you've been paying attention to the national news and things that are going on, that there's a lot of financial uncertainty out there, a lot of stresses and strains, and so I thought what I'd do is walk you down from the national situation to the Arizona situation to the ASU situation.

First, and I said this to a group of students the other day, you all are in one of the most safe, I guess what I would say is one of the safest ports in the storm. College students are well supported overall by the infrastructure that we have, by federal guaranteed student loans, by Pell grants, by university financial aid – both need-based and merit-based – and many of you have that support, in addition to strong support by your families. I know that there are stresses and strains that are out there and we are trying to be as responsive to those as we possibly can, including on a financial aid basis, but I just want to walk you through the situation.

Overall, you all know that on a national level, in fact on a global level, we are experiencing a high degree of stress and uncertainty in global markets, in the stock markets, in the capital markets, and in most areas where people invest money and in most transactions between and among banks. Those are affecting us at the university. They affect us in terms of access to credit. They affect us in terms of a number of things, but in terms of day-to-day operations, because of our strong connections with federal financial aid sources and the way that we've organized the university, we're in very good shape within that realm. We are not one of the universities that has had our funds in one of the firms that has collapsed. We're not one of the institutions that pooled our resources together and had those funds suffer dramatic setbacks. All in all, we are doing very well as we manage our way through this storm. Now, that's one level of the storm.

A second level of the storm that I think that's worth noting is the financial situation of the State of Arizona. The State of Arizona provides a little bit more than a quarter of the operating budget for the institution and through that, they allow us to charge a lower tuition than we would have to charge if in fact we didn't have that investment. Now within the State of Arizona, the financial situation is more dramatic. What we've seen there is a massive reduction in state revenues and, as a result of that and because of the way that the constitution of the state is written, the state can't do debt financing for operations and they can't go into deficit beyond buildings and so that means that they have to cut expenditures dramatically or increase revenues. In the present environment that we're in, it looks like revenues are going to drive down expenditures and as a function of that, that means then that the commitment of the state to provide certain resources to us here at ASU will go down. That reduction in state investment, which we've already experienced a \$30 million reduction in the last few weeks, we will be experiencing additional reductions, substantial reductions, in all likelihood in the weeks and months ahead. And all of these come at the same time that we are already committed to the present size of the faculty and the size of the enterprise and the number of classes we are offering and so forth, so it makes things rather complicated.

What that all means then is that here at the university are going to have to prepare for this uncertainty and we are going to have to reduce our expenditures in an amount that comes in line with what our revenues from the state of Arizona might be – that is, less. To do that, here's the way that we are approaching it – we are going to concentrate our focus and our energy and our resources on the academic core of the

institution. We're going to focus on maintaining classes. We're going to focus on maintaining quality. We're going to focus on maintaining academic and student support services. There may be some changes in other services at the university. There may be some changes in the way that some academic services are delivered, but let me tell you that the deans and the provost and others who are working on this problem are working to find a way to deliver to you the same quality of education that you are investing in, even with these reductions.

Now, what it does mean going forward, and we have a lot of pressure here, is that there are some issues relative to tuition and fees. Let me say clearly that we remain focused on the approved tuition policy that the Arizona Board of Regents approved last year and that is that, for all of you are that are as students right now, we're going to be looking at a 5 percent tuition increase for the year going forward, that is next academic year, and the only dramatic tuition increase will be for new, incoming, in-state freshmen, where they will go to the, what's called the 34th position among tuitions among the states. That's a way for us to level the tuition on an annual basis, and so we are trying to give you predictability, so that you already know where we are going and so forth. Many schools around the country are looking at dramatic tuition increases, we are not. Many schools around the country are looking at mid-year tuition increases, right now we are not. Let me say what I mean by "right now." What I mean is that, given that where we think things are right now, we think that we can weather the storm with making reductions in expenditures and so it's the kind of thing that we are staying focused on. We have to look at it very carefully, but right now, we think that we can live within the tuition model we have put on the table.

Financial aid – we're maintaining financial aid. Things are going well relative to financial aid. You may see some adjustments in transactional fees associated with financial aid, but no change in access to financial aid. No change to the availability of financial aid and we believe that our relationship that we have with the lenders that most of you are using when you are borrowing are solid and strong and that those capital sources will be there to be helpful.

All in all, I think my most important message to you is that we're weathering the storm up to this point very well. You're well-protected. You're well-positioned. We're staying focused on our tuition model and you can expect that kind of predictability from us. If you encounter issues or stresses that are out there related to financial aid please talk to your financial aid counselor right away. If your family circumstances dramatically change, please talk to your financial aid counselor or advisor right away. If you are experiencing any types of stresses and strains in your family and you need help, please let us know. Please let someone know, so that we can be helpful to you. And all in all, I hope that you can stay focused in drawing as much from the university as you can while you're here and let those of us that are worrying about things from a financial management perspective do the best that we can for the university to move forward. We are here to help you. We are here to serve you and let us know what you need.

Thanks.