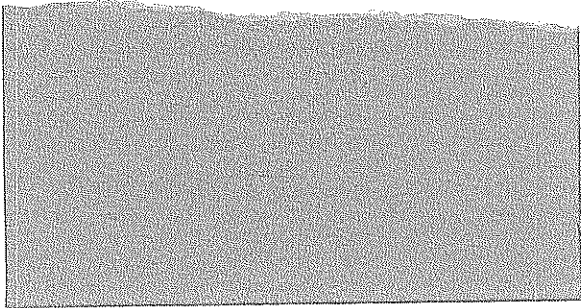


March 31, 2011



Like many of you, I was fortunate enough to grow up during an era when the American public made a substantial investment in higher education. Whether measured through the dramatically increased social mobility that higher education afforded, or via the research discoveries that fueled the high-tech economic engine that propelled America to the top, the good that came from that investment was simply enormous.

Sadly, the unprecedented state budget cuts of the past three years have forced a dramatic rethinking of how the University of Arizona must operate and the degree to which we can rely on the state to fulfill its part of the social covenant that brought great Land-Grant universities like UA to life.

At UA, we strive to be exceptional stewards of the funds we receive. Indeed, when you look at comparisons to peer institutions nationally, UA is among the most efficient universities in the country.

We will continue to look in every corner of the University budget for savings. There will be ongoing belt-tightening. And we will continue to be one of the most efficiently managed universities in the nation. Period. But we are also committed to maintaining the quality of a University of Arizona degree and see no gain for the State or our graduates should we head down a road that will diminish the historically high standards we have set for our academic reputation.

In the absence of adequate support from the state through our annual legislative appropriation, higher tuition is absolutely necessary to protect the quality of our academic programs and thus the value of a University of Arizona degree.

Since 2008, our state appropriation has been slashed by approximately \$100 million, going from \$440 million to \$340 million, and the Governor's proposal for the coming year (should it hold) would reduce our funding by an additional \$67 million. The State Senate has passed a budget that would enlarge the Governor's proposed cuts to \$92 million, and we don't yet know what the House may propose. Cuts of this extraordinary magnitude are without precedent and raise serious questions about how much longer UA or the other Regents' universities should actually be considered public.



In response to the cuts of the past two years, UA has already taken dramatic steps to reorganize our operations. Since 2008, the University of Arizona has:

- Reduced our workforce by 608 state-funded positions;
- Closed, merged, or consolidated 58 programs;
- Closed, merged, or consolidated 53 departments;
- Eliminated one college;
- Consolidated four colleges into one;
- Eliminated 4 senior level positions of Vice President or Assistant Vice President;
- Centralized IT, data analysis and administrative staffing;
- Deferred maintenance on buildings and equipment; postponed necessary purchases; cut library acquisitions; reduced landscaping and grounds maintenance; and reduced custodial services, to cite but a few of the internal operational reductions.

In addition, faculty and staff have gone without a general salary increase since 2007, and this year took a pay cut as a result of furloughs. Approaching a fifth year without a salary increase, the gap between UA and peer institutions is widening precariously, presenting a growing threat to our ability to recruit and retain the excellent faculty needed to provide a UA education.

As state support has been in steep decline and the University has made major reductions (while asking for genuine sacrifice from our faculty and staff), our enrollment has risen to record levels in each of the past four years. As we work to serve *more* students with *less* state funding, inflation has become a growing part of our budgeting challenge. Utilities, library journals, computing systems – the necessities of operating a campus – have seen increases that greatly exceed the general inflation rate.

Arizona's future economic health depends to a great extent on having a highly educated populace. To scrimp on funding, and risk the degradation of academic quality, seems shortsighted to me. The average lifetime earnings for a high school graduate are \$1.2 million. With a bachelor's degree, average lifetime earnings nearly double, to \$2.1 million. People with a master's degree can expect to earn \$2.5 million. With doctoral degrees, average lifetime earnings soar to \$3.4 million during their working life, and those with professional degrees do the best with expected earnings of \$4.4 million. Clearly, education is an investment that pays, with enormous returns to society. We are far better off as a state with educated people earning good salaries.

This year the University will impose reductions to the budgets of every unit on campus. We expect salary savings to accrue through our early retirement program. And we will continue to merge, consolidate or eliminate units in line with our longer term strategic planning. But a tuition increase is also necessary to sustain the University's operations.

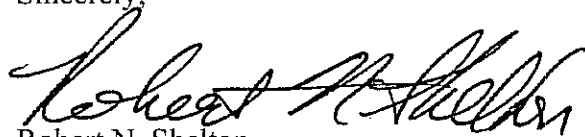
In the coming days, there will be great attention paid to that increase. Based on the Governor's proposed budget, we have offered a tuition increase of \$1,500 for resident students and \$600 for non-residents. (The discrepancy is a result of our non-resident tuition having gone up considerably more than in-state over the past three years, putting it near the limit of what the market will bear.) This tuition increase will net \$22 million in revenue allowing the UA to

continue its strong commitment to financial aid, but leaving us with \$45 million in additional cuts that we will be required to impose. If the State Senate budget were approved, cuts would have to be even greater, with an impact on the University and this state that are difficult to contemplate.

Despite the economic turmoil that has enveloped our state, the University of Arizona, through good fiscal management and prudent planning, has continued to make a quality education accessible to the families of Arizona. UA commits a significant portion of its budget to financial aid (Arizona being one of the very few states that does not provide aid, leaving the responsibility to the individual universities). The tuition proposal that we bring forward to the Regents in April will allow us to maintain the quality that is so critical for graduates in this highly competitive world economy, while providing the needed revenue to support the financial aid that will ensure that a UA degree remains accessible and affordable to all.

It is impossible to predict what the future holds with regard to funding for higher education from the State of Arizona. But whatever happens with future state budgets, the University of Arizona will continue to provide citizens of this state with access to a quality education that is infused with the wonder of discovery. That is our mission and it will forever be our commitment to Arizonans.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert N. Shelton". The signature is fluid and cursive, with the first name being the most prominent.

Robert N. Shelton
President