

THE UNIVERSITY OF AKRON

OFFICE OF THE PRESIDENT



GARY L. MILLER
PRESIDENT

Senate Workforce and Higher Education Committee

Chair Jerry C. Cirino

Testimony of President Gary L. Miller, The University of Akron

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Chair Cirino, Ranking Member Ingram, and members of the Senate Workforce and Higher Education Committee, thank you for this opportunity to tell you the story of The University of Akron and to discuss our request for capital funds. My name is Gary L. Miller, and I have the honor of serving as president of The University of Akron.

I want to begin by thanking each member of the Committee for taking the time to meet with me several weeks ago. I very much appreciated the opportunity to get to know you better and to get your perspective on our great Ohio public universities and how we might continue to build our relationship with you. Thank you.

Mr. Chairman, I am fortunate to have with me a few members of the University's senior leadership team who have worked with me to prepare this testimony. I would like to introduce them at this time.

Most of you know Dr. Matt Akers, special assistant to the president for government relations and associate director of the Ray C. Bliss Institute of Applied Politics at The University of Akron. I am also joined by Dr. Paul Levy, vice president and chief of staff and professor of psychology; Ms. Jill Bautista, interim senior vice president and chief financial officer; Ms. Misty Villers, director of budget, planning, and strategy; and Mr. Mark Statistis, associate general counsel. I also want to recognize Lisa Dodge and Allison Lawlor from Sean Dunn and Associates, who do a great job representing us here in Columbus. I want to thank these individuals, along with many others at the University, including our Board of Trustee members, who work with great commitment every day to advance the dreams of our students, the City of Akron and the region.

Mr. Chairman and members of the Committee, I would like to give you an overview of my formal comments here this evening. First, I want to briefly tell you the story of The University of Akron. To understand the University, you have to know a bit about our origin and core values. Secondly, I want to give you an idea of what the University is like today and what we hope it will be in the future. Thirdly, I want to describe an important and fundamental challenge we have related to our capital assets and enrollment and show you what we are doing to address this challenge. Finally, I want to ask you to partner with us in three ways to maintain and accelerate our efforts to meet our most pressing challenges.

Mr. Chairman and members of the Committee, The University of Akron is a vibrant, urban research university working in full partnership with one of America's greatest legacy cities, the City of Akron, and the Northeast Ohio region. We are also a global university, ranking number one in North America in polymer science and plastics engineering, and rapidly emerging as a world center for the study of the sustainability of polymers. In fact, The University of Akron and our industry partners submitted a proposal in February to receive \$70 million in funding from the U.S. Economic Development Administration (EDA) Regional Tech Hubs Program for a Sustainable Polymers Tech Hub. We have already received a designation and a development grant in our Phase I application. Out of nearly 400 total applicants nationwide for the Phase I Award, 31 received a Tech Hub designation, and 29 received a strategy development grant. Our application was one of only 11 to receive both, and the only successful application from Ohio. We are also excited to be a strong contender for a State Innovation Hub Program grant. Our proposal is focused on polymers, and I wish to express my thanks to the Ohio General Assembly, the Department of Development and the Governor for creating and funding this program in the most recent operating budget.

In addition to conducting world class research, teaching with cutting edge technology and collaborating with leading industry partners, we are a university of opportunity. We work with great intentionality to create pathways for all learners—from high school students to first-time full-time freshmen to adults—to find ways to get them the kind of post-secondary education that will give them the best chance to succeed in their lives and in their careers. We serve rural students at our regional campuses and urban students at our main campus. Our goal as an opportunity university is to provide economic mobility to all students and help them obtain successful careers here in Ohio.

Our commitment to opportunity, to partnership and to making and doing things derives from our deep roots in Akron.

The University was founded as Buchtel College in 1870 by the Ohio Universalist Convention and in 1907 transitioned to a private non-denominational institution. In 1913, in the first instance of the deep synergy between the University and the City of Akron, Buchtel College became the Municipal University of Akron, adopting its current name, The University of Akron, in 1926. In 1967, The University of Akron became a state university.

Today, the University enrolls about 15,000 undergraduate and graduate students at its main campus in Akron and at our Wayne, Medina and Lakewood campuses. Many of our undergraduate students are from the Akron region, although we have a substantial number of students from Columbus, Cincinnati and Cleveland, as well as from areas of Pennsylvania, New York and other surrounding states. It is worth noting that in many instances our out-of-state tuition is lower than the in-state rates of surrounding states. This makes many of our excellent degree programs very attractive to students from surrounding states.

We are extremely proud of the array of outstanding academic programs we offer. We are particularly strong in the areas of science, technology, engineering and mathematics (STEM). We have one of the best industrial and organizational psychology programs in the country. We are situated in an area with three major hospitals (Akron Children's Hospital, Summa Health and Cleveland Clinic Akron General), which have significant research and training programs with which we are closely aligned. The leadership of our College of Health and Human Sciences is

developing significant programs in partnership with these hospitals to address critical health care workforce needs in Northeast Ohio.

We believe it is essential that our University education includes opportunities for students to explore all aspects of the human condition. This has great educational value, and such broad education is required by most engineering and technology degree programs. But this broad education also has essential economic and workforce value.

There is a large and convincing literature, for example, showing that the strategic deployment of the arts in efforts to revitalize legacy cities and their distressed neighborhoods has significant and positive effects on economic development, attracting new residents and strengthening neighborhood communities.

The City of Akron, its region and the University have fully embraced this strategic opportunity. The University owns two of the largest buildings in downtown Akron: the former Polsky Department Store and Quaker Square, the original Quaker Oats facility. The University is putting these assets into play in a way that will strengthen downtown Akron. We are recipients of a \$20 million gift from the John S. and James L. Knight Foundation—one of the largest gifts ever awarded to a single project by the Knight Foundation—to transform the Polsky building into Knight Creative, a vibrant community and educational space in the center of downtown. We are asking for \$6 million from the state capital budget for this project because it is part of our space reduction and consolidation initiative. The renovations will allow us to relocate the Myers School of Art to the Knight Creative, which will allow us to vacate Folk Hall. Folk Hall carries an annual operation and maintenance cost of over \$200,000 and needs a new roof and air handler at a cost of \$2 million. Creating renovated spaces in the updated Knight Creative building will lead to cost savings for us as we are able to consolidate and reduce space, reduce operation and maintenance costs, and lessen our deferred maintenance costs. These goals guide our capital planning vision.

In terms of Quaker Square, we are working with great energy in collaboration with the State Controlling Board to sell it to a developer who envisions a project with the potential to grow the economy of downtown Akron.

I want to pause here and thank Chair Cirino for introducing legislation in 2021 to allow universities to appropriately dispose of land worth \$10 million or less if both the Board of Trustees and the Controlling Board approve the sale without going through the legislative process. This has allowed us to respond more quickly to developers and others who are interested in properties that no longer meet our needs.

In addition to our great visual and performing arts programs, the University enjoys excellent programs in all the arts and sciences, in education through our LeBron James Family Foundation School of Education, and in our acclaimed Drs. Gary B. and Pamela S. Williams Honors College.

The University's College of Business continues to be regarded nationally as an outstanding business school. Our part-time MBA program is the highest-rated in Northeast Ohio. Our online

MBA program is ranked as a Tier One MBA program and as a top 50 program nationally. Our undergraduate business program is ranked among the top 100 in the country and No. 1 in Northeast Ohio. The University of Akron School of Law's Trial Advocacy program is ranked No. 24 in the country, which is the highest-ranked program in the state and the second highest in a six-state region. In addition, the Intellectual Property program is ranked No. 51 in the country and the part-time program is ranked No. 49 in the country and second in the state.

As you can tell, I am incredibly proud of our accomplishments and I am deeply grateful for the opportunity to share them with you, but we are here today to testify about our capital budget needs. Let me turn to that part of my testimony now, and give you some background information that will give you insight into what we are facing.

The University of Akron grew in enrollment steadily from the time it became a state university in 1967 until 2011 when enrollment peaked at around 29,000 students. Almost entirely because of regional demographic changes, enrollment has declined since, though we did stabilize enrollment last year.

The enrollment growth in the early 2000's led the University to enter into a period of extensive campus expansion and improvement, which included the building of several large residence halls (2004-2007) and associated parking decks (2001, 2003); the purchase of a large number of surrounding buildings, including Quaker Square (2008); the construction of a 30,000-seat football stadium (2009); and extensive improvements and upgrades to campus walkways, roads and common spaces. However, the new building phase ended around 2013, and our recent goals have been reduction and consolidation.

When I arrived at The University of Akron in the fall of 2019, the total debt owed by the university was about \$550 million. More significantly, the annual service on that debt was \$26 million and on the rise. Our enrollment was continuing to drop. Clearly, we were not on a sustainable financial path.

The burden of the real estate was not just related to the debt service. If you look at the summary table of our capital budget request in your data packet, you will see that we are currently faced with \$141,139,000 in deferred maintenance. We are also spending over \$1 million annually on operation and maintenance costs for buildings that are largely unused. I want to emphasize at this point that the University began addressing these challenges at least six years ago. Today, we are not asking you to begin to help us solve these challenges. Rather, we are asking you to join us in an ongoing major initiative toward sustainability.

We are here today to ask you for help, not just with a capital infusion but also, in next year's budget, with a significant increase in the State Share of Instruction for the state's biggest workforce generator: its public universities.

I want to assure you that The University of Akron would not make such requests if we were not convinced that we have done, and continue to do, all we can to resolve the situation ourselves. Our partnership with you depends on your trust that we are doing our part.

So, here is what we have done and plan to do about this situation:

- With the assistance of the Knight Foundation, we hired a realtor to begin to immediately put excess real estate back into the market.
- We are using available state capital funds and private funds to demolish older structures in and around campus. Recently, we took down the old Wonder Bread building, which had an annual operation and maintenance cost of \$235,000, and consolidated the physical plant operations, which had been located there, into another building.
- We used our FY21-22 capital bill funding to rehabilitate Crouse Hall and demolish Ayer Hall, which was located next to it. We reduced the square footage of the two buildings by over 28,000 square feet. With this \$23 million project, we reduced our deferred maintenance by \$35 million and updated our teaching and learning spaces for our physics and geosciences departments.
- During COVID, in one of the most difficult and emotional moves any university can do, we separated from over 180 tenured, tenure-track faculty and staff to bring our labor force in line with current enrollment. This came on the heels of a dramatic reduction in the non-teaching areas in 2015 before I arrived at the University during which we eliminated 160 full-time staff positions.
- We reorganized the University from 11 colleges to five. We did this during COVID and in record time, reducing administrative costs and creating more synergy among our educational units.
- We reduced our athletic expenditures by just under \$5 million by eliminating some sports.
- As part of our effort to make our Zips athletic program more sustainable, we entered a partnership with Akron Children's Hospital (ACH) whereby all our team physicians, trainers and physical therapists are now ACH employees. We allocated space in our athletic facilities for ACH to build a sports medicine clinic to serve the many high school athletes of the region.
- We have an aggressive initiative to privatize assets and programs that are not at the core of our educational mission. We privatized our parking operations this past year, and we intend to do the same with our residence halls in the coming year. We are using the proceeds to reduce debt, and these arrangements also help us avoid future operation and maintenance costs. We are actively working on plans for joint partnerships in other areas that will generate revenue, reduce expenses and provide great services to our students.
- I want to mention one area in which you could be of great help. A number of years ago, the downtown hospitals and the City of Akron created a joint energy system that is now one of the most efficient and cleanest in Ohio. In doing so, it was anticipated that eventually the University would join that system. This will make the system even more efficient because the university has excess chiller capacity that the City and its partners need. We are planning this merger now. There is a request for funds from the One-Time Strategic Community Investment Fund (OTSCIF). I would ask that you give this request serious consideration. It makes economic sense for the City of Akron and the University.

We are also working with great energy to diversify our revenue streams. Here are just a few examples:

- Credit for Prior Learning – This is a program designed for people in the workforce who started work on a college degree or certificate but never finished. Our faculty and staff will evaluate their work, military and life experiences, and assign academic credit where possible, leaving these people with many fewer academic credits needed to graduate. We have saved up to two years on work toward a college degree in some cases.
- Coursera – We are a partner with Coursera, the nation’s largest and most respected provider of academic courses, degrees and certificates. In this partnership we can offer the Coursera catalogue to students, alumni or the public at a reduced cost. This allows any learner to add courses or certificates to their degree programs at their convenience.
- New nursing programs – Under new leadership, our nursing program has entered unique programs to partner with local hospitals to provide the nursing workforce needed for the future.
- New 3 + 3 law programs – One of the goals of our School of Law is to provide opportunities for students to obtain a law degree in less time. To do this we have entered into agreements with a number of programs with Ohio universities and universities outside of the state, where qualified students spend only three years as an undergraduate before beginning the three-year law degree program.
- Fundraising efforts – Our community and alumni are very generous to us. They are also fully committed to our opportunity mission. So, over the past several years we have focused a great deal of our fundraising efforts on scholarships for students. I am proud to announce that we are nearly 80% towards our goal of raising \$150 million for our We Rise Together campaign, and a healthy amount of that money goes directly to student scholarships and support.

Because of these and other actions, we are very proud to say that instead of the projected \$32 million, our debt service in FY 2024 will be just over \$10 million.

The University of Akron is not out of the woods yet. But we are doing our part to put this institution on a sound footing.

We will still have a structural deficit in this year’s budget. This is primarily because of inflationary pressures, a difficult labor market and higher-than-expected costs related to the necessity of a new enterprise resource planning (ERP) system and campus security.

Also, there has been an appreciable cut in the State Share of Instruction and strict limits on tuition, which remains some of the most affordable in the country.

We will continue to do everything we can to ensure The University of Akron is on a sustainable trajectory, and along with what looks like positive enrollment trends for the fall 2024 semester, we are extremely optimistic about our efforts.

But we need you as a partner. With additional outlays of funds for the University in the capital budget this year we can accelerate our reduction in deferred maintenance and operating costs on our real estate. With additional SSI, coupled with our efforts to increase revenue by expanding opportunity, we can do even more to meet the state’s workforce needs.

I have three major items for which we need your help:

1. A central goal of The University of Akron is to get students jobs. Within six months of graduation, 95% of students who earned undergraduate degrees and responded to a Handshake survey are employed full- or part-time, participating in a voluntary program, in the military or continuing their education. Graduates earning bachelor's degrees earn the highest starting salary of any public university in Northeast Ohio. Please help us continue this record of success by increasing the State Share of Instruction. This will help The University of Akron keep tuition low and affordable for our students, both urban and rural. This will in turn allow us to educate and prepare even more students to join Ohio's workforce. Without an increase in SSI, Ohio's public universities will not be able to compete with neighboring states, not to mention growing population states like Florida and Texas.
2. Please support our capital requests as outlined in this testimony and in the budget data we submitted. These requests are necessary for our campus operation and delivery of instruction. We could use additional funds for demolition, which would allow us to take down buildings that we no longer need and reduce our operating and deferred maintenance costs. Please consider investing \$100 million of the One-Time Strategic Community Investment Fund in a demolition fund for higher education buildings.
3. Please support the City of Akron's One-Time Strategic Community Investment Fund proposal for redevelopment of Cascade Plaza and Akron Energy Systems expansion. This project will help the University to reduce energy costs and allow us to focus on our core mission of educating Ohio's workforce.

Thank you for your attention and for this opportunity. I am happy to answer any questions.

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