Thank you, George and thank you to our Regents here including Constance Rice, Rogelio Riojas and David Zeeck, and watching via the live cast, Joanne Harrell. And a special welcome to our new provost, Mark Richards, he’s already been hard at work. I urge all of you who want to get to know him better to turn out for his talk on October 30 at the HUB Lyceum on What Really Killed the Dinosaurs.

I also want to acknowledge that we are on the land of the Coast Salish peoples which touches the shared waters of all the tribes and bands within the Suquamish, Tulalip, and Muckleshoot nations. This waʔabʔaltxʷ — Intellectual House — is a living reminder of the tribes and the native people who founded and remain a part of our community.

And a special thank you to the Center for Urban Horticulture for the beautiful plants they’ve donated to our stage.

Each year, this address is my chance to talk to our community – to look ahead to the opportunities and challenges in the coming year. The opportunities are many, but today I’ll focus on the challenges because they are both real and urgent.

We are at a critical juncture, and we have work to do. Our state’s leaders have described the coming year as a time for focused reinvestment in higher education. So, it is critical that we ALL work together to make sure that everyone in our state realizes the immeasurable value that the UW delivers to them.

Last spring, I spoke about truly valuing the work you and your colleagues do when you engage with the community and in public scholarship. Today, in that same spirit, I’ll be asking you to join me in telling others the story about the impact of our great university, so we ensure that impact continues.

To understand the scope of our value, here’s a question: Can anyone name the leading cause of death in the U.S. is? Just shout it out if you have a guess.

It’s heart disease, which kills more than 600,000 Americans annually – nearly one quarter of all deaths. Only cancer comes close.

Damaged heart muscle tissue doesn’t regenerate, so there has never been a way to truly heal those that have it. They just stay sick.
But the UW Medicine Institute for Stem Cell and Regenerative Medicine is using human stem cells to actually GROW heart cells. It’s not too far-fetched to think that soon, the techniques they’re pioneering may allow a heart attack victim to regain up to 90 percent of normal heart functioning.

This could change how we treat heart disease on the scale that vaccines changed medicine 150 years ago.

Here’s another question for you: How long did it take to restore power in Puerto Rico after Hurricane Maria?

It was nearly A YEAR. Imagine living that long without power. What would it be like to wake up without hot water or light day after day? What would it do to your health?

In May, Associate Professor Lilo Pozzo led a team of students to Puerto Rico to study that long term impact. They also installed solar-powered battery systems to power home health devices for many residents.

This was a collaboration between engineers and public health experts, with the support of the UW’s Clean Energy Institute and the Global Innovation Fund. Together, they used sustainable, cutting-edge technology to help solve a public health crisis for people in unsafe living conditions.

That’s what we mean when we talk about the intersecting pillars of the Population Health Initiative.

And here’s one more question for you: What percentage of UW undergraduates graduate with no known student debt?

It’s 60 PERCENT! And of those who do graduate with loans, the average debt load is about $22,000 – significant, but not crippling. Given the average $1 million in additional lifetime earnings that come from a college degree, one can’t argue about the rate of return.

We are committed to keeping a University of Washington education affordable for residents of our state. That’s why we continue to offer the most comprehensive financial aid in Washington through the Husky Promise.

We know that the urgency of the problems we face in our cities, state, country, and planet requires that everyone have the chance to contribute at FULL capacity.

Together, we make up one of the world’s great public research universities, and we embrace our mission to serve the PUBLIC good — not just for our students or patients, but the broader public, including the taxpayers who support us. Our public mission challenges us to be outcomes-oriented and pushes us to value substance over style. It means we champion inclusivity, rather than selectivity, because we know that diversity and inclusion are essential for excellence.

Yes, our work results in accolades, like being ranked 4th among all U.S. universities – 1st among publics – for the impact of our research.

U.S. News ranked us 10th in IN THE WORLD among global universities. And the Wall Street Journal ranked us 3rd most “bang for your buck.”
And just last week we were again ranked the #1 public university for innovation.

Not bad for YOUR state university, which I love to think of as the University FOR Washington.

We’re not ones to beat our chests over rankings. But, they DO represent your hard work. They signal the rigor and excellence of the education our students receive, and the impact of the research and discovery that you do. They telegraph that our faculty and students can compete with the best in the world.

And it’s at universities like ours — that combine true excellence with broad access across income levels – where the action is. It’s where students of modest means can achieve at the highest level. Best of all, we do it AT SCALE.

What do I mean by “scale”? Well, it’s great that top Ivy League universities are making serious efforts to enroll low income students, I applaud them. But the UW enrolls more low income students, as measured by Pell eligibility, than ALL the Ivy League schools combined — that’s “scale”!

Our commitment to the life-changing power of access when paired with excellence is epitomized in our alumni who have founded and/or led many of the companies that define the Pacific Northwest, companies that strive to be environmentally aware, treat employees fairly and engage with their communities.

They include Costco co-founder Jeff Brotman, ’64, ’76, Nordstrom and Starbucks, who have been led by Bruce Nordstrom, ’55 and Orin Smith, ’65 and Boeing, which counts among its leaders and innovators too many UW alumni to name. And they include up-and-coming entrepreneurs like David Coven, ’17, who received a Costco Diversity Scholarship, and founded Scholarship Junkies, which is helping young people find money for college.

Our alumni have also headed non-profit and governmental agencies, including many of our best governors, Dan Evans, ’48 ‘49, Booth Gardner,’58, Christine Gregoire, ‘69 and Jay Inslee, ‘73. They include our current – and longest serving – Washington Speaker of the House Frank Chopp, ’75. And some, like Sally Jewell, ’78, now a distinguished fellow at our College of the Environment, have done both as she not only headed up REI but the Department of the Interior – talk about impact!

Year after year, we open doors to limitless opportunities for young people who were not to the manor born. And they go on to create opportunities for others. This is what drives us.

And it’s what drives our commitment to honoring the Husky Promise, which I’m deeply proud of. However, when the Husky Promise was first conceived, it was intended to be a supplement to the Pell and State Need Grant. But since the 2008 budget crisis, Washington state hasn’t fully funded it, leaving us responsible for an increasing share.

Yet, our commitment to the Husky Promise has been rock solid. Even during the worst of the budget cuts, we remained the only university that used its own resources to fully backfill the State Need Grant dollars. Over the last 10 years, more than 40,000 students on our three campuses paid no tuition or fees thanks to the Husky Promise. Talk about free college — we’ve been promising it AND DELIVERING it to low income students for a decade!

But, if we start sacrificing quality in order to do so, we ALL lose. Social mobility happens best at the intersection of excellence AND access.
We’re a racehorse: we compete at the highest level, attracting top faculty, staff and students. But we also take seriously our obligation as the state’s workhorse – producing almost a third of Washington’s bachelor’s and nursing degrees and almost half of its computer science, pharmacy or doctoral level degrees. And the majority of our graduates stay in Washington, putting their education and training to good use right here.

When I talk to civic, business, or community groups across the state, I ask how many are alums, and lots of hands always shoot up. When I ask how many have been treated at one of our hospitals or clinics, it usually includes half the room. And when I ask who’s walked through the arboretum, attended a Husky sports event, or one of our plays or musical performances, nearly everyone has a hand up.

When I ask about what issues concern them — whether they mention homelessness, natural disasters, mental health, or the environment — I can almost always share some ongoing work by the UW. (And when I can’t, it’s usually because I just don’t know about it yet. Being on top of everything happening at our university really is impossible, but it’s really fun trying!)

Our commitment to the public good is found in discoveries from our “basic” or curiosity-driven research, whose impact is more long term. Two years ago, we celebrated our 7th Nobel Prize winner David Thouless, emeritus professor in physics. His highly theoretical work on the phases of matter opened the door to unimagined advances in electronics and computing.

This year we are celebrating Kristina Olson, who was awarded a MacArthur “Genius Grant,” for her longitudinal research to understand the experiences of transgender children. She plans to follow these youth over a 20 year period to look at developmental trends and outcomes from preschool to adulthood, but her work is already making an impact on kids, parents and their doctors.

Our commitment also shows up in very immediate ways – law clinics to help immigrants understand their rights, elementary and middle school students watching music and dance performances through the Meany, or a 2014 research study led by Sociology Professor Katherine Becket that just led to ending the death penalty in our state. That’s impact!

Of course, you all know our UW story -- you’ve helped make it happen. But, today I’m calling on you to not only be the story makers, but also the story tellers. It’s not enough for us to know it. As a public university, it’s essential that everyone in our state knows it too — and understands that it is at risk.

Let me be perfectly clear -- maintaining both access AND excellence in service of the public good REQUIRES public support. Without significant and steady reinvestment by the state in our core operation, we are not on a sustainable trajectory –

Let’s take a hard look at the operating budget...

This is our budget in broad strokes.

When you hear the UW’s budget revenue described as $7.8 billion dollars – no doubt you think— it’s a lot of money. Because it is.

But it’s vitally important to understand how that money is apportioned and how the part that can be put to general unrestricted use is a relatively small piece of it.
First, there’s our Hospitals and Clinics which you can see is almost half the budget – and if you’ve been reading the papers you know that this is an area experiencing significant financial stress and under operating under a “fit” plan to reduce then eliminate operating deficits.

As at other hospitals, including privates, the vast majority of public funds received come from Medicare and Medicaid reimbursements and are, of course, restricted for patient care.

But as a part of our public mission, we have the added obligation to serve ALL who walk through our doors regardless of insurance or ability to pay.

Our hospitals and clinics provide $417 Million in charitable care for patients for which we aren’t reimbursed.

Another piece of our budget, $1.1 billion comes from externally funded grants or contracts to support specific research areas or studies. This revenue is primarily federal funding that we compete for against all other private and public universities; we’re #2 in the country in this regard. All of that money is restricted to use for specific research projects.

The next chunk of the budget is from auxiliary activities – what are those?

These are parts of the university that operate as business enterprises and are entirely self-sustaining, such as:

- UW Parking and Transportation Services
- Housing and Dining

This category also includes Intercollegiate Athletics and it’s really important to note that NO state or tuition dollars go into coaches’ salaries!

The overhead costs of theses units make up the Designated Operating Funds category. They go to keep our physical plant functioning, keep the lights on and the water running. They also cover the cost of offering Summer Quarter, which does not receive state support.

The revenue that these units generate cover their costs, but can’t be used to fund other UW activities.

Now let’s talk about private philanthropy.

Our donors are profoundly generous – and I want to take this moment to acknowledge one of the UW’s most generous and visionary donors and friends, Paul Allen. Paul will be deeply missed, but always remembered for the impact he made here and on the whole world.

And it’s thanks to Paul and hundreds of thousands of committed donors that we recently crossed the $5 billion milestone in our campaign – thank you to everyone who helped make that happen!
But, let’s be very clear. Donor dollars cannot take the place of state funding.

More than 95 percent of donations are earmarked to specific projects and can’t be used to pay for broader ongoing operating expenses, whether general raises for our staff or deferred maintenance for our buildings. And quite frankly, we don’t want that to change or else we really are becoming privatized.

Now, all of these parts of our budget and operations are important. They make the University of Washington the powerhouse that it is. The work we do in our hospitals and clinics is integral to our public mission AND core to our research mission. They can serve as sites for clinical trials that both provide our community with cutting edge medical procedures and feeds on the ground clinical information into our research labs – as when Professor Scribner’s research led to modifications in the kidney shunt which, in turn, led to the first outpatient dialysis treatment center in the country — right here at UW!

External research funding not only is key to cutting edge medical research, but also to funding the excellent work being done at the Center for Urban Waters at UW Tacoma or the Center for Reinventing Public Education at Bothell.

Private philanthropy plays a role in affordability and excellence, providing scholarships and fellowships to our undergraduate and graduate students and helping us recruit and retain top faculty through professorships and chairs.

Not to mention that all of these many and varied sources of funding translate into jobs across the state, contributing to both our talent and tax base.

But all these budgets are restricted, and they can’t be used for things like new faculty positions, or academic advisors or mental health professionals, or for general raises for our excellent and hardworking faculty and staff.

After accounting for all of these dedicated funds, we’re left with the “general operating fund” made up of tuition and state appropriations – a little over $1 billion.

This is the part of the budget related to those aspects most people think of as “the University” and it is considerably smaller than most imagine. Now $1 billion dollars is a sizeable budget, but, we have three main campuses, a medical school in Spokane and other facilities around the state. And this budget supports the education of around 50,000 students. So it’s actually pretty amazing that we’re doing what we’re doing.

It’s noteworthy that students and their families fund about two-thirds of this budget through tuition. This wasn’t always the case. Part of why our costs appear to be rising, when in fact over the last few decades our per-student costs have been relatively flatish, is that fifteen years ago, two-thirds of our general operating funds came from the state and one third from tuition.

After years of state funding cuts, those percentages are reversed. If you wonder why so many in the public and in government think college is too expensive, this flip is Exhibit A. In fact, costs haven’t changed that much, it’s who pays for it that has — big time. Students and families are footing a lot more of the bill themselves.
Yet, throughout this time, we’ve continued to admit more Washington students who are eager to access the incredible resource in their own backyard. Twenty years ago, we enrolled 27,299 Washington residents. Today, that number is 30,814. An additional 3,500 Washington students.

Here’s another piece of data that surprises people —

When you compare our state’s investment to that of our peers, the gap is stark. The UW receives $5,220 dollars a year per student from the state, near the bottom of our top 25 public peers.

UNC Chapel Hill? $18,684 dollars per student, per year.
University of Georgia? $11,283, per student, per year.

Both New Jersey and Maryland provide their flagship universities with more than $14,000 a year per student. And, we’ve all been hearing about how California will be providing the UC system with a much needed infusion of dollars because they’re concerned that years of underfunding are leading to their universities losing competitive ground, yet UCLA already receives more than $11,000 per student.

Ok, you might say. There are a couple of schools that are funded at about the same or lower levels. How do they do it?

Well, let’s look at in-state resident tuition among our peers. What you’ll find is an interesting pattern. The other four universities in the bottom five for state funding – Penn State, University of Pittsburgh, UVA and University of Illinois are all in the top five for undergraduate resident tuition.

Coincidence?

Let’s be clear. We are ALL ALONE amongst our country’s top public universities in being at the very bottom in terms of state funding AND in the lowest third of in-state undergraduate tuition –

Compared to our peers, we’ve been stretching our resources further and further, and that’s not all bad. But you can only go so far. Parts of our university are already stretched far beyond any reasonable comfort zone, and NOT in a good way.

That’s part of why we have vibrant, at times heated, debate about WHERE we put our dollars. Faculty and students in College Y may think that the allocations to College X are comparatively higher than they should be, or that we should be investing more in raises and less on new hires. These arguments and discussions are important; we need them.

But at times, we conduct these battles in a way that suggests to the public that the problem is primarily one of resource allocation, or where we put our money, when the data is crystal clear. We have a very major and urgent problem with the size of our budget given what we do and what the state and public needs us, and counts on us, to do.

Our priority has been on investing in our people. Our excellence is tied to the talent we can attract, develop and retain. So, we’ve been focusing on administrative efficiencies, developing new models for purchasing, relying more on design-build models of construction, and we’ve gained energy efficiencies to bring down costs. By far the largest share of our new construction has been heavily leveraged on
philanthropic dollars. Heck - our billion dollar deferred maintenance back-log alone should show that our priorities have been on investing in our people. And they always will be.

But, we can slice the pie as many different ways as we like. It won’t change the fact that there’s simply not enough to keep us healthy, much less happy.

So, one more time –

1. The cost of a UW education has been relatively flat over the last 20 years, what’s changed is who pays for it – a reversal from the state to individual students and families.

2. We have one of the strongest and most generous financial aid programs in the country and the lowest NET tuition (what students actually pay) of all the public four-year colleges or universities in our state. Ten thousand resident students at the UW are paying NO tuition this year.

3. Our state funding per student is in the bottom five of our peer group.

4. Our tuition is in the bottom third.

This is simply not a formula for continued success, quite the opposite. Without investment by the Washington public, our state’s health and prosperity and future generations of students are at risk.

This year’s legislative session is critical. Legislative leaders have said they hope to make this the “Year of Higher Education” in Washington. We urgently need them to make good on this commitment.

Entropy is always working against us. It takes enormous energy and time to build something. But, things fall apart much more easily and quickly. It doesn’t happen all at once, there’s no Big Bang. We’re not a private entity – our university can’t leave for some other state that offers to treat us better.

But, quality can erode – it happens one faculty member at a time – the full professor at the height of her career lured away for higher pay and better facilities. The promising early-career faculty who would love to come here, but worries that, given the high cost of living, the compensation we can offer is just not competitive. We are diminished each time a top graduate student accepts an offer elsewhere because its better, or when one excellent nurse, academic advisor or IT worker goes to work in the private sector because of pay or benefits.

We may still have a big W at our entrance and our diplomas will still read “University of Washington,” but a trickle of departures and failures to attract build up over time. Despite the superficial continuity, the University of Washington that you know, that contributes so much to the state, can essentially disappear.

We are at an inflection point. Over the next decade, we’re likely to replace between third and a half of our faculty as the boomers retire. Excellence will erode quickly if we don’t have the means to recruit, and then retain, top talent to this increasingly expensive area. The “Mount Rainier effect” doesn’t cut it when other, no longer more expensive areas, offer more competitive salaries and resources.
And, when the best educators, researchers, thought leaders, and those who support their work, stop seeing the UW as a place to aspire to, our students will suffer, our patients will not get the same level of care, our scientific and intellectual output will wane and our whole state will lose something invaluable.

A few weeks ago, I had the pleasure of talking to some of our most active and engaged alumni and friends, including many past leaders of the Alumni Association, about some of the challenges I’ve outlined today. They were shocked when they saw the facts and figures I shared with you today. A lot of people really do believe we’re rich with resources…. But, the facts prove otherwise. In light of the sheer magnitude of our responsibilities, we stretch our resources further than anyone that performs at the same quality level. We are all alone amongst the top publics in having state funding and resident tuition near the bottom of the pack.

We need our friends and supporters to speak out on our behalf, and I trust that they will. But our university also needs our UW faculty, staff and students – to talk about the important work they’re doing, the important work that our university does, and to make the stakes clear to people across the state who benefit from the work taking place here, whether or not they’ve gone here, or set even set foot on one of our campuses.

This coming legislative session is extremely important. The next biennial budget will play in key role in our ability to honor our great public mission.

For anyone who’s been treated at a UW hospital or by a physician who graduated from our medical school –

For anyone who ached for the mother orca who carried her dead calf and wanted to know how we can better protect these majestic creatures and the oceans we share –

For the veterans at Joint Base Lewis McChord who can easily access classes at UW Tacoma --

For the elementary or middle school students who have attended one of our math camps or our gear-up program, that prepares low income students for college, or the young women in high school who attend our women’s center “making connections” program, preparing them for careers in STEM --

For the 50,000 plus students in our degree program --

For all of those people and more, my message is simple: without public reinvestment in higher education, the enormous benefits that the UW provides to Washington and beyond are at risk.

The UW serves every person and community in Washington in countless and irreplaceable ways. It’s time to sound the alarm that our great public service mission is at risk.

We ARE the UW, and it is our responsibility to make sure to connect our University with the people it serves. We ALL need to be out there telling the stories of the work that we and our colleagues do here, of the many ways that this amazing university advances the public good. Because we urgently need our policymakers on behalf of the people they serve to reinvest in this vital resource.

I am raising my voice – in communities across our state, on social media, on my blog, at receptions and backyard barbecues, and in partnership with higher education leaders across Washington who are facing
similar challenges, including with WSU President Kirk Shultz at the Apple Cup – that should make clear how important this is! Indeed, the stakes couldn’t be higher.

We cannot take today’s University of Washington for granted. No amount of belt-tightening can compensate for the fact that compared to our peers, we are woefully underfunded. We are where we are today because of enlightened legislators, generous donors, and members of the public who believed in the power of education. Their investment has paid off many times over.

We all have stories to tell about the University of Washington; your stories matter — to your neighbors and friends, to your legislators, to the people whose voices matter in this state. We are at a critical juncture, what happens in the months ahead will make a difference for decades to come.

Thank you and I look forward to your questions.