kind. As a result, in some ways the administration actually sees state budget cuts as advantageous, because they justify unrestricted tuition hikes, which leads to further budget cuts and so on, in an unending cycle of privatization.

The administration’s story about state defunding is just that—a story. It serves their interests because it absolves them of any responsibility and directs student and worker activism toward the state government instead of the administration itself. The counter-narrative we have presented here identifies the administration as a central protagonist in the privatization of the University. Even if the state were to increase funding to U-M, we can’t trust the administration to use that money as we would want—to lower tuition or hire back the workers they’ve laid off, for example. Through its own decisions, the administration has come to have a vested interest in the status quo.

Notes
3. Based on a comparison between the financial reports from 2013 (see above note) and 2004, which is available here: http://www.finance.umich.edu/reports/2004/um_2004_financial_report.pdf
10. As Meister writes, “although tuition can be used for the same purposes as state educational funds, it can also be used for other purposes including construction, the collateral for construction bonds, and paying interest on those bonds. None of the latter uses is permissible for state funds.”

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First, it’s important to recognize that the university’s budget is far more complex than the chart suggests. There’s not just two streams of revenue into the university. The general fund only represents a small piece of the university’s operating activities. As the pie chart on the next page indicates, other significant revenue sources include federal research grants (about $1 billion), distributions from the endowment (about $400 million), and gifts (about $150 million). Why is this important? It shows that, even when we take the state’s budget cuts into account, overall revenue at U-M is actually increasing significantly. Over the last decade, for example, total revenue for operating activities (excluding the health system) has jumped from about $2.2 billion to $3.4 billion per year. During that same period, state funding fell by just $41 million, while the revenue generated by student tuition increased by an astronomical $466 million. Even if state funding had remained constant, there would still be a lot more money floating around in the system, and students are more than making up for the difference.

Second, the administration’s story only tells us about the revenue side of the equation, the money coming into the university. It completely leaves out expenditures, where that money is being spent. The administration’s chart would only make sense if expenditures had remained stable over time. But they haven’t. Two non-instructional areas where expenditures have grown significantly are administrative spending and interest payments (also called debt service). A recent AAUP report shows that since 1975, the number of full-time executives at universities across the country has increased by 141% and full-time non-faculty professionals by an astonishing 369%, while the number of tenure-line faculty has grown by just 23%. This same process is happening at U-M—even during the recent financial crisis. From 2005-2010, administrative salaries at U-M increased by 27% while faculty pay increased just 18%. In May 2014, the Institute for Policy Studies released a report titled “The One Percent at State U” which ranked U-M among the top five most unequal public universities, based on “excessive executive pay, highest student debt, and large increases in low-wage and/or contingent faculty labor.”

Third, the University actually has a vested interest in weaning itself from the state. Currently there are four main revenue streams into the University: state funding, federal research grants, the endowment, and tuition. The first three come with heavy restrictions. State funding, for example, generally has to be used for educational expenses only and is always subject to the will of fickle politicians. Federal research grants primarily fund specific research projects (including some overhead) and cannot be spent on anything else. The majority of the endowment is tied to specific targets chosen by the donors (an endowed chair, a special scholarship, a new building). Student tuition is unique in that it comes with no restrictions whatsoever, so it can be used for anything—interest payments, executive bonus pay, even venture capital-like “entrepreneurship” initiatives. Naturally, the administration prefers flexible sources of funding so it can spend the money however it wants, without oversight of any