

President's Memorandum to Faculty and Staff

Office of the President
February 19, 2007

During the last month there have been a number of developments at the statewide level that impact on Ferris State University and its funding. While some of these issues will likely not be resolved until summer, I want you to be aware of the major issues and what has occurred to date.

For the current state budget a deficit of at least \$800 million is anticipated. This includes a shortfall in both the general fund, which includes public higher education, and the school aid budget, that funds K-12 schools. This results from reduced state tax collections and from agencies that spend beyond their budgets.

A billion dollar deficit is predicted for next year's state budget and beyond that there is a reduction in revenue of a \$2.9 billion with the elimination of the Single Business Tax. These are estimates, with lawmakers talking about a potential cumulative shortfall between \$5 and \$6 billion. For insight and advice, Governor Granholm created an Emergency Financial Advisory Panel. This group issued its report, "Michigan's Defining Moment," in late January, declaring that a solution to financial problems facing our state could not be solved by a combination of economic growth or budget reductions, but would also require enhanced revenues. (To see this report, click [here](#).)

Executive Budget and Executive Order

On February 6th the Governor presented her State of the State address. In this she set forth a plan with no funding reductions for K-12 or higher education. Additionally she proposed a 2½% increase for higher education in next year's budget. For Ferris this would be an increase of \$1,251,100, bringing our state appropriation to \$51,296,200. Two education programs are proposed which could include Ferris State University – No Worker Left Behind, providing two years of college to displaced workers, and the Nursing Corps, addressing statewide needs for additional nurses and nursing faculty. Also proposed is the creation of Tuition Promise Zones, where a combination of private and public funds would provide support to students from economically depressed areas. The revenue needed to fund these proposals and other state budgetary needs would come from a new 2% tax the Governor proposed on services.

On February 8th Budget Director Bob Emerson and Treasurer Robert Kleine presented the Governor's Executive Budget for 2007-2008 and an Executive Order (or funding reduction) for the remainder of 2006-2007. As the Governor had indicated, this included no reductions for K-12 or higher education. It however did include deferral of a

state payment for higher education. (Explanation: University budgets run from July 1 to June 30, but the state budget runs from October 1 to September 30. Even though our budget year ends in June, state payments received in July and August are credited to the budget that has already ended.) The deferral plan was that the state would not provide the second half of the August payment, but would instead make this payment on October 16th. This would still be credited to the budget that ended the previous June. For Ferris the deferred amount would be \$2,274,777.

The Executive Order and Executive Budget were again based on the proposed 2% tax on services. It is estimated that this revenue increase would raise approximately \$130 million a month. However if it were not passed, and the state had continued to spend at the current rate, there would be a significant deficit at the end of the year in both the general and school aid funds. This approach could mean significant reductions in funding as budget years were ending for schools and universities.

Executive Orders must be approved by the House and Senate within ten days. Late last Wednesday evening the Senate voted to reject the Executive Order on the grounds that it did not balance the budget, but instead relied on tax increases. It is not entirely clear what will happen next, but it seems possible that the Senate will bring forward a plan to balance the state budget through reductions. This could include cuts in this year's budget for higher education.

Legislative Testimony

It is still very early in the legislative session. Given the issues that need to be addressed, it may be summer or even fall before some resolution on revenues for next year's budget is reached. In that uncertain context legislative hearings have begun. On Thursday I testified before the Senate K-12 Education panel, chaired by Senator Wayne Kuipers. It is unusual for college presidents to testify to this group, but I believe Senator Kuipers was looking for connections between the new K-12 education standards and college.

On Friday I testified before the House Appropriations Subcommittee on Higher Education, chaired by Rep. Pam Byrnes. This committee has seven new members, with Rep. Bill Caul from Mt. Pleasant the only representative from last year. I began my presentation by sharing with each representative the number of students from their district that attend Ferris State University, explaining how each Committee member has an interest in our University. Drawing upon the title of the Financial Emergency Advisory Panel I talked about this being Higher Education's "Defining Moment."

Given that a number of the representatives were unfamiliar with Ferris State University, the first portion of my remarks presented our University, people, unique academic programs, the employability and success of our graduates, and the support students receive from faculty and staff. It stressed how we see learning extending beyond

the classroom through efforts like the American Democracy Project, the Political Engagement project, and service learning. It referenced the ways we have extended education to students throughout the state through partnerships with community colleges. This is reflected by data which show 43% of our new fall students were transfer students. Finally I talked about the continued improvements in academic qualifications of our students, the high quality education you provide to students, the significant improvements in our retention of students, and the many efforts you make to foster student success, especially for new students.

The second portion of the remarks was directed at the state's approach to funding higher education and especially its lack of support for enrollment growth. Our head count enrollments for fall and spring - especially this term's enrollment of more than 12,000 - are the largest in Ferris State University history. To demonstrate this growth I shared a chart comparing full-time equivalent students at Michigan public universities from 2002-2006. Growing at 15.63%, Ferris is the second fastest growing public university in Michigan.

Full Year-Equated Students
Michigan Public Universities
Comparison FY 2002 and FY 2006

	FY 2002	FY 2006	Change	Percent
Grand Valley State Univ.	16,779	19,986	3,207	19.11%
Ferris State University	9,568	11,063	1,495	15.63%
Saginaw Valley State Univ.	6,857	7,781	924	13.48%
Oakland University	12,619	14,246	1,627	12.89%
Northern Michigan Univ.	7,718	8,553	835	10.82%
Wayne State Univ.	23,754	25,235	1,481	6.23%
Univ. of Michigan-Ann Arbor	37,998	40,043	2,045	5.38%
Michigan State Univ.	40,936	42,430	1,494	3.65%
Michigan Technical Univ.	5,916	6,124	208	3.52%
Univ. of Michigan-Dearborn	6,062	6,243	181	2.99%
Central Michigan Univ.	20,961	21,579	618	2.95%
Univ. of Michigan-Flint	5,056	5,111	55	1.09%
Eastern Michigan Univ.	19,256	18,775	-418	-2.50%
Western Michigan Univ.	24,906	23,290	-1,616	-6.49%
Lake Superior State Univ.	2,819	2,561	-258	-9.15%

Quoting directly from my remarks -

“We are delighted that students are responding so positively to our message of education that leads to successful careers. Regrettably, higher education funding in Michigan punishes universities for enrollment growth. Unlike our K-12 partners, additional students at public universities do not generate additional state funding. Likewise declines in enrollment do not produce funding reductions for universities. Plainly and simply there is not a financial incentive for increased enrollment in Michigan higher education. This means that enrollment growth is sustained only by tuition revenue. The impact of this at Ferris State University is stunning -

- In 2001 we received \$6,094 for each full-time student
- In 2005 we received \$4,396 for each full-time student
- This is a decrease in funding for each current student of \$1,698 or 27.5%
- This percentage decrease in funding for Ferris State University is the greatest of any public university in Michigan.

Here is that chart -

State Appropriations
Per Full Year-Equated Student
Michigan Public Universities
Comparison FY 2001 and FY 2006

	FY 2001	FY 2006	Change	Percent
Ferris State University	\$6,094	\$4,396	-\$1,698	-27.86%
Northern Michigan University	\$6,931	\$5,267	-\$1,664	-24.01%
Wayne State University	\$10,958	\$8,507	-\$2,451	-22.37%
Grand Valley State University	\$3,808	\$3,059	-\$749	-19.67%
Univ. of Michigan-Ann Arbor	\$9,674	\$7,901	-\$1,773	-18.33%
Oakland University	\$4,305	\$3,558	-\$747	-17.35%
Michigan Technical University	\$9,248	\$7,841	-\$1,407	-15.21%
Central Michigan University	\$4,351	\$3,710	-\$641	-14.73%
University of Michigan-Flint	\$4,788	\$4,090	-\$698	-14.58%
Michigan State University	\$8,017	\$6,687	-\$1,330	-16.59%
Univ. of Michigan-Dearborn	\$4,617	\$3,963	-\$654	-14.17%
Saginaw Valley State University	\$4,063	\$3,534	-\$529	-13.02%
Eastern Michigan University	\$4,629	\$4,055	-\$574	-12.40%
Western Michigan University	\$5,228	\$4,710	-\$518	-9.91%
Lake Superior State University	\$5,115	\$4,883	-\$232	-4.54%

How can this be? While funding reductions for higher education have been significant, they have not been that severe. This decrease results from the double-edged impact of budget reductions and a funding approach that does not support enrollment growth. In other states each increased student enrollment brings an additional piece of state funding to help support that student's education. Michigan, unlike other states across the country, does not fund this.

The financial impact on Ferris State University is immense. To fund today's students at 2001 levels would require an additional \$18.8 million in state funding. Coupled with state budget reductions during this period of \$9.2 million, our University is currently under funded by \$28 million. With this year's current state support of \$50 million, that represents a shortfall of 56%!

The incredible irony here is that the one thing we can all agree upon for higher education - that more people should attend and graduate from college - is something we as a state choose not to fund. It is simply poor fiscal policy to not provide support, funding, and incentives for the results we seek to achieve. In a state where our Governor has called for a doubling of college graduates, funding must follow growth."

Next the remarks focused on national comparisons for support of higher education. The data presented were from the Grapevine report and compare state tax funds for higher education per \$1,000 of personal income. Michigan residents pay \$6.26, ranking 35th in the nation in terms of support for higher education and behind the national average of \$7.08. (To see this chart, click [here](#).)

The final comparison is a historical one for Michigan. From my remarks -

"Perhaps even more telling is the impact of continued reduction of state tax funding in Michigan. This graph provides a historic representation of state tax funds toward higher education for every \$1,000 in personal income. The representation is from 1961 until today. It is a sobering fact that the current rate of \$6.26 is less than what Michigan citizens contributed in 1965. Imagine the difference in purchasing power between a dollar in 1965 and today. The fact that today Michigan contributes less to higher education than it did more than forty years ago is something we must change." (To see this chart, click [here](#).)

The final portion touched on the Michigan Public School Employees Retirement System (MPERS). Along with six other state universities, employees hired before 1996 could belong to this program. MPERS is an organization that has no representation from higher education and that has extended benefit programs to people who did not make significant contributions to the fund. This program began in 1945 and was fully funded by the state until 1974 when we began to pay 9% of the costs. Currently we pay 31.6% of salary costs for employees in MPERS. In addition we contribute 6.85% of salary for employees who would have been in MPERS had they joined the University before 1996.

For the current year we return \$7,252,000 of the \$50 million we receive in state support for the MPERS costs assigned to us. For the University these costs increased 19.7% this past year. My hope is that by presenting MPERS concerns, we can receive additional state support to address them. (For a history of MPERS, click [here](#). To see this chart, click [here](#).)

I concluded by inviting Committee members to visit our University to see our programs firsthand, and by seeking their assistance ~ “As Michigan public universities, we need you, your leadership, guidance, help, and support to reverse the relentless spiral of decreased support for higher education. Through our combined efforts we can help ensure that our citizens will have the opportunity to benefit from the same extraordinary education that many of us in this room today have experienced. Ferris State University stands ready to assist you and your committee in providing data and support to help make increased funding a reality.”

The materials from this testimony are accessible on-line [here](#). If you have the opportunity to look through these I would very much appreciate your thoughts, reactions, and suggestions. Please email me eislerd@ferris.edu.

What does this mean for Ferris State University? With the rejection of the Executive Order we will likely see a budget reduction for the current year. It is my hope that with enrollment growth, especially the significant return of student credit hour production for Spring term, that we will be able to absorb this cut without reductions beyond those introduced in Fall 2006. The current approach does eliminate uncertainty regarding a larger deferred payment in the summer.

Beyond the current year budget, there is a very long way to go in addressing a replacement for the Single Business Tax and developing next year's budget. It is likely at some point this year that we as a University community will need to work very hard to help Ferris State University receive the support from Michigan it needs. As these issues evolve and develop I will share that information with you.

Thanks for your help and support,

David L. Eisler,
President