

**House Appropriations
Subcommittee on Higher Education
Ferris State University
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**Higher Education in Michigan:
Our Funding, Our Future**

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Representative Bauer and members of the House Appropriations Subcommittee on Higher Education, thank you for taking time from your very busy legislative schedule to hear from Michigan universities. It is an honor to appear before you today and to offer thoughts on higher education, its future, and its funding. We appreciate your continued support of higher education and understand that in speaking with you we are visiting with our advocates in Lansing, friends and supporters who understand the importance of higher education and who determinedly assist us in helping our students receive the support they both deserve and need.

Each of you has a significant interest in higher education and in Ferris State University, as we enroll students from each of your districts at our University –

Rep. Tlaib	17 students
Rep. Gregory	28 students
Rep. Haines	85 students
Rep. Smith	92 students
Rep. McDowell	113 students
Rep. Bauer	151 students
Rep. Gonzales	186 students
Rep. Caul	348 students
Rep. Genetski	571 students
Rep. Dean	853 students

In appearing before you I want to publicly salute the members of our Board of Trustees, Michigan citizens who give of their time, energy, and resources to help guide our University through these perilous times in which we live. They are –

James K. Haveman, Jr. – Chair
R. Thomas Cook – Vice Chair and Finance Committee Chair
Patrick W. LaPine – Secretary
Arthur L. Tebo – Immediate Past Chair
Sueann L. Walz - Academic and Student Affairs Committee Chair
Alisha Baker – Member
George J. Menoutes – Member
Ronald E. Snead – Member

Values, Mission, Vision, and Goals for our Future

As you may know, our University was founded by Woodbridge Ferris and enrolled its first class on September 1st, 1884. In coming to Big Rapids, Mr. Ferris wanted to create a school for “lumber jacks, miners, farmers’ sons and daughters, and girls who worked in Michigan factories.” He directed his school to those people who had been missed by the educational institutions of the time, knowing that education was their ticket to a successful career and future. Next fall we will celebrate our 125th anniversary, having grown from that initial class of 15 students to a vibrant, public university of more than 13,500 students.

It is especially exciting for me to stand before you today because of the significant planning and positioning work our University community has accomplished during the past year. This began with serious discussion of what our values were as an institution, something we had not done before. For core values we embraced –

Collaboration, Diversity, Ethical Community, Excellence, Learning, Opportunity

This seems so simple to relate now, but I remember well the many stakeholder meetings that resulted in agreement, for the first time in our history, on these values.

From there we moved to discussion of mission. We began this with divergent positions, but discovered we could reach agreement – that the core of the Ferris experience is focused upon careers. This became the nexus upon which we built, using the concept not once but twice in a statement of 31 words.

Ferris State University prepares students for successful careers, responsible citizenship, and lifelong learning. Through its many partnerships and its career-oriented, broad-based education, Ferris serves our rapidly changing global economy and society.

From this we moved to a shared vision for our University, a vision based upon an educational experience that integrates both theoretical and applied learning. Values, mission, and vision became the foundation upon which we constructed our strategic plan for the future. This is but a single double-sided page, but it distills countless hours of consultation, dialogue, review and clarification. What we have created is a dynamic, continually evolving document that guides our efforts and maps out our future. A copy of our strategic plan is included in your packet.

Reaching agreement on such statements of purpose and direction can be wrenching for an institution. This was not the case at Ferris. Throughout this process we had extraordinary input and buy-in from a wide-range of stakeholders both on campus and throughout our state as well. I believe this process produced not only important statements of purpose, but helped prepare us for just the kind of challenges we now face.

The Ferris State University of Today

There is much to be excited about the Ferris State University of 2009. Over the last eight years, our University has increased headcount enrollment by 23.8%. We are the fastest growing public university in Michigan. This fall we enrolled 13,532 students – the most in our history. (See *Chart One*.) Perhaps even more remarkably, since 2001 student growth at Ferris accounts for 29% of the overall growth in Michigan public four-year college enrollment.

Similar growth can be found in our numbers of full-time equivalent students, which is reflected in eight consecutive years of enrollment increases. (See *Chart Two*) This is an astonishing accomplishment, especially when one considers the distance of Big Rapids from population centers in Michigan. We are delighted that students are responding so positively to our message of high quality education taught in small classes by faculty, not graduate students. We believe education that combines strong academics with preparation for a career is the reason so many of our students find jobs even in the current economy. The success and achievement of our graduates confirms this.

In our state there has been much discussion about the need to increase the number of college graduates. At Ferris, our enrollment growth is leading to that increased number of college graduates our state needs. During the period 2001-2008, when full-time equivalent students increased by 24%, the number of bachelor level degrees and above awarded at Ferris State University increased by 54%. (See *Chart Three*.) Indeed, we have met a portion of the goal set forth for us, doubling the number of graduates in our professional programs of Optometry and Pharmacy, fields with full employment and starting salaries in excess of \$100,000.

A career innovator, we continue to create cutting-edge degrees that prepare graduates in areas of the new economy that are vital to Michigan's future. There are many examples, let me share just a few -

- To respond to the critical state-wide need for nurses, we have implemented a program where students already possessing a bachelor degree in another field can earn their Nursing degree in three semesters. Additionally, we are graduating students from our on-line master's degree in Nursing, providing much needed instructors for programs for our community college partners.
- Using our programs in Construction Management, Heating, Ventilation, Air Conditioning and Refrigeration, and Facilities Management, widely recognized as national leaders, we have created an Institute for Alternative Energy which is focused on reducing building energy use, which constitutes 50% of the energy costs in our nation. The conference we host annually brings together the leading figures and companies in making the built environment energy efficient.
- Combining our expertise in criminal justice and information technology we have created a program in Cybersecurity that addresses significant needs in both the federal and private sectors.
- We have created the finest program in the Midwest in Digital Animation and Game Design. In addition to entertainment, this creates visual simulations for business and industry, developing and supporting the new economy in our area.
- We have brought together our industry-leading programs in Professional Golf Management, Professional Tennis Management, Hospitality Management, and Music Industry Management. The synergy of these programs helps fuel the tourism business in Michigan and provides for integrated efforts such as certificate programs in Resort and Event Management.
- The Kendall College of Art and Design is leading efforts in Grand Rapids to integrate design thinking into a community that has traditionally been the furniture capital of the world. This effort is evidenced by the collaborative MBA degree we have created with an emphasis in design.

What I want to emphasize is that these are not programs that we are considering or contemplating. These degree programs are being taught today, graduating Michigan citizens right now who are prepared for the new economy.

One of Mr. Ferris beliefs is something we live by –

My plea in Michigan ~ and it will be my plea to the last breath I draw, and the last word I speak ~ is education for all children, all men, and all women of Michigan, all the people in all our states all the time."

In a time of economic hardship more students will stay closer to home, attending a community college for the first two years of their college experience. More than any institution in the state, Ferris State University has reached out to Michigan community colleges creating partnerships on fifteen of their campuses and in their facilities. Through these efforts, community college students, many of whom are place-bound and unable to relocate, have access to a Ferris

degree and the career opportunities it provides. Once again these are not activities we intend to do, but efforts from which students are benefitting today. Beyond that, we maintain articulation agreements with community colleges throughout the state for students who transfer to Big Rapids.

State Support for Higher Education

Despite the optimism, enthusiasm, and focused direction we feel at Ferris, once again higher education is faced with an additional reduction in state funding. For Ferris State University the proposed budget reduction is in excess of \$1.6 million. In my six years at Ferris two things have remained constant - the wealth of words about our importance to the state and the continued reduction in support. It is difficult to comprehend why our state has forged a budget policy that funds a prisoner in the state penitentiary at \$31,000, and a student at Ferris State University at \$4,300. You may not have created this current predicament, but you can start today, and continue during this legislative session, to remedy this.

As you consider these issues I believe it may be helpful to consider how funding for higher education in Michigan compares with other states nationally. These data come from two sources, the Grapevine Project at the Center for the Study of Education Policy at Illinois State University, and from the Bureau of Economic Analysis. These will show how far funding for higher education has fallen in Michigan and how low a priority it has become.

One indicator of investment in higher education is the percentage change in tax dollars appropriated for it. Over the last ten years Michigan has increased appropriations for higher education by 10%, far below the national average of 49%. How can we expect to compete with North Carolina, New York or California when they have increased support by 82%, 71% and 62% respectively? Regrettably, Michigan ranks third to last in the nation in terms of increased appropriations of state tax dollars for higher education. It is a statistic that sharply highlights the challenges Michigan will face if it truly believes higher education can be the distinctive advantage that builds the financial resurgence our state and our citizens so desperately need. (See *Chart Four*.)

Perhaps even more telling is the impact of continued reduction of state tax funding in Michigan. One way to track this over time is with a comparison of state tax funds toward higher education for every \$1,000 in personal income. It is a sobering fact that the current investment of \$5.99 is less than what Michigan citizens contributed in 1965. Without factoring in inflation, Michigan today contributes less to higher education on a dollar-to-dollar basis than it did forty years ago. While advocating that many more Michigan citizens should realize their dream of a college degree, our state has not been a full partner in making this an attainable goal. (See *Chart Five*.)

Candidly, the economic stimulus package has limited your options on budget reduction for higher education. The Governor's recommendation reduces support very close to the minimum threshold at which we qualify for economic stimulus funds. State higher education budgets

cannot be less than the dollars expended in 2006 and qualify for stimulus funds. Further, if the state reduces university budgets for next year it will be required to replace those funds with stimulus dollars for both 2010 and 2011. It would be a serious strategic mistake for our state to take the one-time opportunity of economic stimulus funds and use them to replace base funding lost through a budget reduction. After two years the funds will be spent and the shortfall in our budgets will still remain.

In my six years as President I have never replaced state budget cuts with tuition increases. If the state budget moves forward as proposed and the \$1.6 million reduction in state funding remains, I will implement this as a base budget cut. This is a difficult and gut-wrenching decision, but I believe the correct course. There are many, many lessons of the past years that delaying difficult financial decisions until they must be faced only makes them far worse when that inevitability arrives. The purpose of the economic stimulus funds is not to backfill for the present, but to build for the future.

I hope that the stimulus package will provide the ability to begin to restore opportunities for more residents of our state. Without workers who can contribute to a new, diverse, and technology-dependent economy, we will be stuck in our current cycle of contraction, job loss and outward migration. The new economy will depend upon people who can do things that require special training – everything from operating nuclear medicine equipment to creating special effects. This investment is not static. It is more complex and dynamic than simply buying a thing – or filling a budget gap. I hope that this stimulus package will allow people to make use of the knowledge and skills that are the basis for real growth and development, which we need to replace the empty speculation that has led to our current boom-and-bust cycle.

There are two other financial concerns that I want to address with you, the elimination of the King-Chavez-Parks Initiative and the continued unfunded state mandate of MPSERS.

King-Chavez-Parks Initiative

Cuts to education hurt those who most need some help to earn a college degree. So in addition to a further erosion of funding, it was a great disappointment to see a proposal to eliminate the King-Chavez-Parks Initiative. The various programs that form KCP have done much to help the educationally disadvantaged. At Ferris

- KCP's College Day Program, coordinated by our Office of Minority Student Services, brings approximately 1,000 7th through 12th grade students to the Ferris campus to experience university life.
- KCP Future Faculty Fellowships have helped more than 30 recipients, including Gloria Lukusa-Barnett who now is an Associate Professor of Developmental Programs and Curriculum at Ferris.

- KCP's Visiting Professor Program has brought upwards of 50 scholars to campus, some of whom have made a lasting mark at Ferris, including Sociology professor and now Chief Diversity Officer at Ferris, David Pilgrim.

My request here is simple - please restore funds to the KCP Initiative. At Ferris this is not a large amount of funding, slightly more than \$100,000, but it is an important symbol of hope for those who have not in the past had access to education.

At the same time, I want to applaud the Governor's proposal to increase the Tuition Incentive Program, which provides tuition to Medicaid-eligible students. Ferris' collaboration with community colleges and our many programs that "ladder" students from a two- into four-year programs can help maximize the affect of TIP, which is most beneficial to students working to complete an associate degree. In the past two years this program has grown from helping slightly over 300 to nearly 600 students. I know of no more effective program in our state to aid students in breaking the cycle of poverty through higher education.

Michigan Public School Employees Retirement System (MPERS)

I also want to share with you my deep concerns regarding MPERS. Seven public universities in the state have employees in that system. This is a state retirement system in which higher education has no representation and whose costs have become an unreasonable mandate. One of the strategies of MPERS has been to reduce benefits for new members rather than to limit them for those already in the system. Since higher education is not adding additional members, taking this path of least resistance exacerbates rather than reduces our challenges. As a defined benefit plan the costs for MPERS have not been kept in check. A handout in your packet describes the history of this program and how it has become such a drain on our limited resources.

MPERS is an unfair burden on Ferris State University and our six sister institutions. At a time when much scrutiny is placed upon taxes, this is an excessive tax that the State of Michigan places upon us. The impact on our costs and our students is staggering. This year, each full-time student at Ferris State University will pay \$622 in tuition to cover MPERS costs.

We contribute 33.5% on the salary for each employee in MPERS. For every other employee on campus we have capped this amount at 12%. Beyond this is the simply mind-numbing concept that we pay between 7 - 9% on the salaries of employees who would be in MPERS but are not because of the decision in 1996 to split higher education employees out of this system.

These dollars are a huge drain on our University. We estimate that the cost for our current MPERS employees will be \$6.5 million next year. The tax placed upon the University to address unfunded liabilities in the system for our employees who are not in MPERS will be more

than \$800,000. This second amount more than doubles for us every three years. What this means is that of the \$48.4 million in our proposed state budget for next year we will turn around and immediately return \$7.3 million to the state. (See *Chart Six*) Included in your packet is a history of how MPSERS, originally a mandated fully-funded retirement plan without health benefits, has become a continually increasing and unfair financial burden on our University.

Educational Cost at Ferris State University

There are two basic components in higher education funding: tuition and state support. Public attention is most often directed to tuition, but to focus on tuition costs is to see only half the equation. In reality, the educational cost for each student is the combination of state support and tuition. An examination of state funding demonstrates the state's continued disinvestment in higher education.

In 2001 Ferris State University received \$6,094 per Full-Year Equated Student. Today we receive \$4,297 per FYES, a decrease of 29%. This represents the combined impact of 10% in budgetary reductions from the state and no funding for enrollment increases. This decline is shown by the solid line on the chart. (See *Chart Seven*.)

The dashed line on this same chart represents what funding would be at our University if it had kept pace with inflation over this period. Had this happened, we would today receive \$7,516 per student. This is a stunning shortfall of \$2,923 per student. For our current FYES enrollment this represents more than \$37.6 million that Michigan has disinvested in student education at Ferris State University. These are dollars that our students, your constituents, pay every year that the state should have funded.

A focus only on tuition ignores the significant measures we have taken to control cost. In 2001 the cost, tuition plus state support, for each student we educate at Ferris was \$11,674; in 2009 that cost is \$14,369. This increase is slightly lower than the rate of inflation reflected by the Consumer Price Index. We fare even better under a far more applicable inflation comparison, which is the Higher Education Price Index (HEPI). Had costs increased at Ferris as indexed by the HEPI during this period, our education would now cost 9% more, or \$15,704, while state appropriation per FYES declined. (See *Chart Eight*).

It is a common misperception that higher education costs are growing exponentially. This is not true at Ferris State University, where over the past years costs have annually increased approximately 2.9% annually, which is below the rate of inflation. While doing this we have absorbed the \$37.5 million that the state did not fund our students, and have at the same time become the fastest growing public university. We have raised standards, created access, produced more graduates, and done this effectively during a spiral of steadily decreasing support from the state.

Tuition Freeze

I want to address the call by the Governor for state universities to institute a tuition freeze beginning with the fall 2009 semester. First of all, I understand that for many Michigan citizens working hard to make ends meet and to put themselves or a family member through college, this is going to sound at first blush, and even at second blush, like a good proposal. Until you look at the numbers, which clearly demonstrate that a tuition freeze represents an acceleration of the long-term depletion and disinvestment in higher education that truly is at odds with the public interest.

At Ferris State University from Fiscal Year 2002 to Fiscal Year 2009, state funds have declined approximately ten percent. For a state that needs college-educated professionals – especially in such fields as health care – disinvestment in higher education simply means that we will pay more later for the goods and services we need. In 1980 state support accounted for 68 percent of Ferris’ general fund revenue. Today, that figure is just 29 percent, with tuition making up 69 percent and two percent coming from other sources. (*See Chart Nine*)

That shifting of this burden means that a tuition freeze at Ferris would have an economic impact on the University’s budget two-and-one-half times greater than a 3% reduction in state funding. This combined impact with mandated cost increases would create a 14-15% revenue reduction, without question the largest budget reduction in our history and something that could create lasting damage for our University.

A short-term freeze on tuition that ultimately causes universities to simply scramble to shore up depleted base funding will do nothing to produce more graduates, fuel the new economy and improve the quality of individual lives, as well as the vibrancy of the state generally. In fact, it reduces support for the financial aid that our poorest students need most and limits access to education when our state needs it most. In this economy, we need those students to move up and help us develop our new products and new services that we desperately need. We cannot increase this aid if its source is taken from us.

In six years as president, I have never replaced state budget cuts with tuition increases and I will not do so now. Increases in tuition reflect the inflationary costs in our budgets, which for next year will \$1.2 million for approved financial aid and scholarships, and at least \$500,000 for MPERS. Additionally, energy costs increased 12%, or \$526,759 last year – a figure that is unlikely to shrink.

Suggesting a tuition freeze will not make these costs go away. Instead, it would work precisely against the purposes of the stimulus package, forcing deep and severe cuts at precisely the time we should be aggressively re-educating our people, creating programs that fuel new economic initiatives in Michigan.

Recommendations for the Future

Last Wednesday and Thursday I engaged our University in a serious discussion of our budget and our future. It was the bleakest and darkest message I have delivered to our campus in my six years as President. Today I am asking the same of you as I asked of our campus community - that you work with us to secure the future in this time of historic financial adversity.

Specifically I am asking –

- 1) Do not believe that replacing base state dollars with one-time economic stimulus dollars eliminates budget reductions for higher education. The Governor's recommendations will require considerable sacrifice at our University. Please remember that even replaced with stimulus funds these are ultimately base cuts. Not knowing what lies ahead in the future makes it fiscally unwise to delay implementing them.
- 2) As you consider the budget, give universities the time and opportunity to manage our finances as creatively as possible. Our students deserve some level of predictability in making plans in an already difficult environment. By making budget decisions on or before July 1st, you would immeasurably increase the ability of the University and its students to make informed decisions.
- 3) Oppose the proposed freeze in higher education tuition. During my six years in Michigan the focus in Lansing has continually been short-term: *How do we reach agreement on this year's budget?* As a university president, I need to look at the long-term health of our University, not just for this year's students, but for generations of students in the future. The considerable challenges that Ferris faces will only be that much more difficult to overcome if it is forced to mortgage its future for the expediency of the present. This is the worst possible time to limit the range of options available to us.
- 4) Consider carefully how stimulus dollars can be used to target the kind of projects that create jobs and improve infrastructure. We have provided a number of ideas to the state and are ready to pursue these or other proposals to rebuild and reposition Michigan. We stand ready to partner with you and with others. Please consider what we can do together.

Closing Thoughts

From fall 2001 to fall 2008, Ferris State University grew by 2,603 students while at the same time managing a budget that was short a cumulative \$37 million had appropriations simply kept pace with inflation – and that is without factoring in enrollment growth. Looking backwards, this seems an unlikely feat to have accomplished while keeping the total cost increase of our students' education below the Consumer Price Index, and far below the Higher Education Price Index. This was made possible by conservative projections, careful planning and difficult but

necessary incremental steps. Given our experience, I want once more to say that I believe stimulus money should not go toward replacing base funds and that a well-intentioned but misguided tuition freeze will simply lead to double digit tuition increases in the future, which absolutely no one wants. These actions would only result in exactly the kind of boom and bust cycle that created this problem in the first place.

Ferris State University has a unique historic perspective on the challenges posed by such change. When Woodbridge Ferris began his school in Big Rapids in 1884, it was also a time of financial challenge in west Michigan. The economy was dependent upon the timber industry and much of the forest was already logged out. Through his Institute Mr. Ferris educated students for a new reality, teaching them skills in business, pharmacy, stenography, and telegraphy that prepared them for the commercial economy.

One hundred twenty-five years later, Michigan finds itself in a similar time of hardship with the implosion of the domestic automobile industry. Today, just as when our 19th century extraction economy was experiencing inevitable decline, Ferris State University will continue to educate our citizens for the next economic reality by helping them acquire new skills that will allow them to succeed in a time of great upheaval and transformation. But to do so we must continue to have the flexibility to thoughtfully manage our way through these troubled times.

Thank you for this opportunity to share these thoughts about Ferris State University and funding for higher education in Michigan. Our public universities need your leadership, guidance, 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 has benefitted so many of us in this room.

To echo my words to our faculty, staff and students:

This is not the time to be asking, what do we get, but rather, what can we do?

There is no denying the challenge that lies ahead of us, but it is one which I believe we are well positioned to meet and overcome. I look forward to working with you to carve out our future in this time of historic financial adversity. Together I know that we can and will do this. Your help is needed, you are needed, your thoughts and your willingness to work through this together are needed. With your help we will get through this and continue to build a great University together.

Each day of this year's session I would encourage you to look to the right just before entering the House Chambers. That last full length portrait is of our founder, Woodbridge Ferris, commemorating his two terms as Governor of Michigan. Please remember what he helped to create and what we stand for today. Together I know that we can and will prevail in this absolutely essential endeavor.

These materials are available on-line at: <http://www.ferris.edu/president/house-2009.htm>