Senator Goschka and members of the Senate Higher Education Committee, 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.

Senator Goschka, I want to begin by thanking you for both your support and understanding of higher education in Michigan. We have been fortunate to have your intellect, your commitment, and your enthusiasm for higher education in our state. It has been my privilege to appear before you and your committee. I want you to know how much personally I will miss you, your leadership, the personal character you bring to your work, and your advocacy for higher education in Michigan and in the Senate.
Likewise I am honored to follow my distinguished colleague Mark Murray. It has been my pleasure to work with him for higher education in Michigan these past three years. For me Mark is more than a presidential colleague, he is someone I consider a friend. His voice of reason and economic honesty will be sorely missed. Meijer’s gain is surely higher education’s loss. I wish Mark great and continued success as he assumes these new responsibilities.

Ferris State University

These are times of record enrollment at Ferris State University. This fall we enrolled 12,547 students, the most in our history. Our increase of 744 students, a growth of 6.3%, was the largest increase in students, both in number and percentage, of any university in Michigan. We are delighted that students are responding so positively to our message of education that leads to successful careers.

This fall also marked strong continued success in our student retention efforts, with a 3% increase in freshman to sophomore baccalaureate retention. During the last five years we have improved our student retention by 18%, a truly remarkable achievement. Simply put, the goal for students is simply not to enroll in college, but rather to graduate from it.

We are very proud of the success of our merger with Kendall College of Art and Design. Since joining Ferris State University, Kendall’s enrollment has grown from slightly over 500 to 1,036 students this fall. Combined with our efforts at the Applied Technology Center at Grand Rapids Community College, we now educate 2,000 students in downtown Grand Rapids.

Over the past two years we have worked very hard to provide greater access to higher education for community college students, especially to those who may be some distance from Big Rapids. As a part of this effort we have opened new bachelor degree programs at Henry Ford Community College, Lansing Community College, Macomb Community College, Northwest Michigan College, Oakland Community College, Saint Clair County Community College, and Schoolcraft College.

At Ferris State University we take great pride that our students graduate prepared for a career. Our job placement rate remains at 98%, which we believe is the highest in state. Many of our programs have 100% job placement rates (See Chart One) –
Accountancy/CIS
Advertising
Applied Math/Actuarial Science
Applied Mathematics
Architectural Technology
Automotive Body
Automotive Service Technology
Biotechnology
Building Construction Technology
Business Education
CAD Drafting & Tool Design Technology
Career & Technical Education
Chemistry
Civil Engineering Technology
Computer Networks & Systems
Dental Hygiene
Diagnostic Medical Sonography
Electrical/Electronics Engineering
English Literature
Facilities Management
Finance
Heavy Equipment Service Engineering
Heavy Equipment Technology
Hotel Management
Human Resource Management
HVACR Engineering Technology
HVACR Technology
Industrial Chemistry Technology
Industrial Electronics Technology
International Business
Legal Assistant
Legal Studies
Liberal Arts
Manufacturing Engineering Technology
Manufacturing Tooling Technology
Marketing/Professional Golf Management
Marketing/Professional Tennis Mgmt
Mechanical Engineering Technology
Medical Laboratory Technology
Medical Record Administration
Medical Record Technology
Medical Technology
Music Industry Management
New Media Printing & Publishing
Operations Management
Optometry
Ornamental Horticulture
Pharmacy
Plastics Engineering Technology
Plastics Technology
Pre-Science
Pre-Teaching Elementary
Pre-Teaching Secondary
Printing & Digital Graphic Imaging
Printing Technology
Product Design Engineering Technology
Psychology
Public Administration
Quality Engineering Technology
Recreation Leadership & Management
Resort Management
Respiratory Care
Rubber Engineering Technology
Rubber Technology
Small Business & Entrepreneurship
Small Business Management
Surveying Technology
Tech & Professional Communication
Technical Education
Television & Digital Media Production
Television Production
Visual Science
Welding Engineering Technology
Welding Technology
This results from our unique approach to education, which combines a high quality academic foundation, career specific hands-on education, and real-world internship experiences working at businesses, companies, and in industry.

The Economic Importance of Higher Education

In speaking with you, it is easy to feel somewhat like the minister who has turned to deliver his sermon to the choir. Each of you is a strong supporter of higher education in Michigan. However I want to share with you information from a recent study that I find particularly compelling, with the hope that you will share this information with your colleagues.

Michigan is not the only state where the legislature and governor have recognized higher education as the economic driver of the future. Similar calls have gone out across the nation and many states are making significant financial investment in higher education. Over the past two years, twenty-two states have increased state tax funds for operating expenses more than 10%

Alabama  Georgia  New York
Alaska  Hawaii  North Carolina
Arizona  Kansas  Oklahoma
California  Massachusetts  Utah
Connecticut  Nevada  Virginia
Delaware  New Jersey  Washington
Florida  New Mexico  Wyoming

Nine of those states have increased funding over 15%. During that period Michigan has increased funding 1.7%. Only five states have made less financial investment in higher education than Michigan – Colorado, Illinois, Mississippi, West Virginia, and Wisconsin. Which of those would we like to be grouped with as a state?

For the last few years our economy has struggled as businesses and industries left our state, not because of the quality of the work product, but rather because it could be produced more cheaply in other states or on other shores. I believe strongly in the Michigan worker and believe it is possible to not only retain the industries and jobs we have in the state, but to grow new efforts. A more expensive workforce can be competitive, but only if it is better prepared and educated. It can not be emphasized enough,

A more expensive workforce that is less educated will not survive as we know it.
I want to return to the state of California and a landmark study of its education future released last fall – “Return on Investment: Educational Choices and Demographic Change in California’s Future.” The study compares future prospects for those who do not complete high school, earn a high school degree, and earn a bachelor’s degree. The findings include the following (See Chart Two) –

- Poverty
  - 22% of high school dropouts live in poverty
  - 10% of high school graduates live in poverty
  - Less than 5% of college graduates live in poverty

- Crime
  - High school dropouts are 15% more likely to be incarcerated than those who graduate
  - College graduates are 85% less likely to be incarcerated than high school graduates

- Unemployment
  - High school dropouts will spend 25% less years in the workforce than those who graduate
  - College graduates will spend 23% more years in the workforce than a high school graduate

Perhaps most stunning is the return on investment in higher education. If the state invests $2,000 in a person, over the life of the cohort, that person will pay $5,000 in additional taxes and the state will save nearly $4,000 in decreased support for poverty-related programs (See Chart Three). Simply stated,

An investment of $2,000, results in $9,000 return!!

Higher Education Funding

The current approach to funding higher education has created serious inequities in funding across Michigan. A simple comparison of state appropriations as a percent of total revenue reveals the results of this flawed approach (See Chart Four). In Michigan this ranges from a high of 50% at Wayne State University to a low of 28% at the University of Michigan – Ann Arbor. Removing research institutions from this comparison still shows a range of state funding from 48% at Northern Michigan University to 31% at Grand Valley State University. This is a remarkable disparity among institutions with similar missions.

When higher education funding in Michigan has not been based on the politics of the past, it has operated on the flawed assumption that all programs and thereby all students cost the same. In my testimony last year I presented a chart which compared the cost of degrees across the twelve teaching institutions in Michigan (See Chart Five).
<table>
<thead>
<tr>
<th>Intensity of Instruction</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>High Intensity</td>
<td>Over $200 SCH</td>
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<tr>
<td>Optometry</td>
<td>$451</td>
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<tr>
<td>Agriculture, Agricultural Operations</td>
<td>$343</td>
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<tr>
<td>Engineering</td>
<td>$320</td>
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<tr>
<td>Nursing</td>
<td>$312</td>
</tr>
<tr>
<td>Pharmacy</td>
<td>$309</td>
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<tr>
<td>Architecture and Related Programs</td>
<td>$284</td>
</tr>
<tr>
<td>Other Health Professions</td>
<td>$258</td>
</tr>
<tr>
<td>Precision Production</td>
<td>$236</td>
</tr>
<tr>
<td>Engineering Technologies</td>
<td>$236</td>
</tr>
<tr>
<td>Public Admin. and Soc Services</td>
<td>$235</td>
</tr>
<tr>
<td>Computer and Info Science</td>
<td>$231</td>
</tr>
<tr>
<td>Mechanical and Repair Technology</td>
<td>$228</td>
</tr>
<tr>
<td>Health and Medical Assisting</td>
<td>$210</td>
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</table>

<table>
<thead>
<tr>
<th>Medium Intensity</th>
<th>$150-199 SCH</th>
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<tbody>
<tr>
<td>Visual &amp; Performing Arts</td>
<td>$198</td>
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<tr>
<td>Multi/Interdisciplinary Studies</td>
<td>$186</td>
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<tr>
<td>Family &amp; Consumer Science</td>
<td>$180</td>
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<tr>
<td>Personal &amp; Culinary</td>
<td>$169</td>
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<tr>
<td>Business and Management</td>
<td>$167</td>
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<tr>
<td>Physical Sciences</td>
<td>$162</td>
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<tr>
<td>Education</td>
<td>$158</td>
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</table>

<table>
<thead>
<tr>
<th>Low Intensity</th>
<th>Less than $150 SCH</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biological Sciences</td>
<td>$146</td>
</tr>
<tr>
<td>Foreign Languages</td>
<td>$138</td>
</tr>
<tr>
<td>Parks, Recreation, Leisure</td>
<td>$136</td>
</tr>
<tr>
<td>Legal Prof &amp; Studies</td>
<td>$132</td>
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<tr>
<td>Security and Protective</td>
<td>$127</td>
</tr>
<tr>
<td>Eng Lang &amp; Letters</td>
<td>$126</td>
</tr>
<tr>
<td>Social Sciences</td>
<td>$120</td>
</tr>
<tr>
<td>Mathematics</td>
<td>$119</td>
</tr>
<tr>
<td>Liberal Arts/Humanities</td>
<td>$112</td>
</tr>
<tr>
<td>Communications</td>
<td>$112</td>
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<tr>
<td>Area, Ethnic, Cultural Studies</td>
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<tr>
<td>Psychology</td>
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<tr>
<td>Philosophy &amp; Religious</td>
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<tr>
<td>Reserve Officers Training</td>
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<tr>
<td>History</td>
<td>$96</td>
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<tr>
<td>Natural Resource &amp; Conservation</td>
<td>$85</td>
</tr>
<tr>
<td>Military Science</td>
<td>$84</td>
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</tbody>
</table>

The Funding of Higher Education in Michigan
David L. Eisler and Sally Depew, Ferris State University
February 24, 2006, page 6
I would encourage you to look at this chart again. Ask yourself where jobs exist in the state. What is the education our state needs to regrow our economy? I believe you will agree with me that these programs are in the high intensity area.

Yet, when you choose to fund universities based on a concept of minimum funding per student, you ignore the differences in program cost and mix at each of our higher education institutions. In doing so you lose a critical opportunity to influence higher education into producing the education our state needs most. If an institution can produce more graduates in the social sciences, liberal arts, and humanities for slightly over $100 per credit hour, why would they create more spaces for engineers and healthcare workers that cost over $300 per credit hour?

An approach based on minimum funding per student is a strong disincentive for higher cost applied science, technology, and healthcare programs, and discourages both their creation and expansion. This is an area where higher education and Ferris State University especially can make a difference for our state. The next table demonstrates how our University provides much of the education in many of these fields for Michigan (see Chart Six).

- 100% of Optometry graduates
- 95% of Precision Production graduates
  - Engineering Graphics
  - Furniture Design
- 79% of Mechanical and Repair Technologies graduates
  - Automotive Body
  - Automotive Service Technology
  - Automotive/Heavy Equipment Management
  - Heavy Equipment Service Engineering Technology
  - Heavy Equipment Technology
- 79% of Health and Medical Assisting Graduates
  - Dental Hygiene
  - Diagnostic Medical Sonography
  - Nuclear Medicine
  - Radiography
  - Respiratory Care
- 52% of Pharmacy graduates
- 46% of Engineering Technology graduates
  - Architectural Technology
  - Building Construction
CAD Drafting/Tool Design
- Electrical/Electronics Engineering Technology
- Facilities Management
- Manufacturing Engineering Technology
- Plastics Engineering Technology
- Welding Engineering Technology
- Numerous Others

- 43% of Communication Technologies
  - Digital Animation and Game Design
  - New Media Printing and Publishing
  - Printing Technology
  - Television Production

Ferris State University makes an important contribution to the total degrees awarded state-wide in high-demand, high-cost disciplines. The cost for these high-demand, high-employment, and high-need degrees are as high as $542 per credit hour and average over $290 per credit hour. Contrast these instructional costs with the average cost of a credit hour at teaching institutions across the state of $163.

Based on state-wide data we have done an analysis of the percentage of high intensity degrees produced at teaching institutions across the state. It should not surprise you that the highest percentage is at Michigan Tech, 74%, or that the second highest is at Ferris State University, 54%. What should surprise you is that no other teaching institution awards more than 23%. The reality is that this is the most likely result of an approach that funds higher education at the lowest common denominator. Now is the time to create incentives for universities to expand access to degrees in desired disciplines by funding them at a higher weighted rate.

One thing on which the legislature and the governor agree is that higher education must grow to help our state. More students need to attend and graduate from college. The current approach provides disincentives for growth. An institution above the minimum amount per student receives no additional funding for enrollment growth. If you continue to use a per student funding model, reward institutions that grow by funding their new student growth at this level.

**Michigan Public School Employees Retirement System (MPSERS)**

Finally I want to share with you my deep concerns regarding MPSERS. As you know seven institutions 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 burden of us. One of the strategies of
MPSERS 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.

At our University we have capped retirement costs for all employees at no more than 12%. For our 470 MPSERS employees we currently pay 24.3% of salary. While charges have not yet been received for next year we estimate that amount could increase to as much as 29% for next year. Beyond that it is important to understand that we also pay a charge for our 473 employees who are not members of MPSERS, but would have been had new higher education employees not been added to the system beginning in 1996. We estimate that next year we could pay as much as 3.12% for these employees, a rate that has quadrupled in four years (see Charts Seven and Eight).

MPSERS is an unfair and unreasonable burden on Ferris State University and our six sister institutions. In many ways this is a tax that the State of Michigan places upon us. The impact on our costs and our students is staggering. Next year, each full-time student at Ferris State University will pay $700 in tuition to cover MPSERS costs.

It is unlikely the state will possess the resources this year to address the problems of MPSERS and provide the relief higher education both needs and deserves. There is however something you can do. When institutional costs are figured and compared among institutions, deduct the MPSERS charges from our costs to help provide a fairer cost comparison and reduce this unfair burden on our institutions.

Closing Thoughts

Thank you for the opportunity to present these thoughts on higher education. Working with the legislature as active partners, we can create a future of opportunity for Michigan citizens.

It is the greatest honor of my life to serve as president for Ferris State University. Each day I see firsthand the life-changing difference higher education can make for our people. It is a privilege to represent to you the men and women of Ferris State University, faculty, staff, and students. We appreciate you and your support for our efforts. Most importantly, we stand ready to work with you to make a difference for Michigan.

This document is available at http://fsunw3.ferris.edu/~eislerd/senate_2006.htm