Rep. Byrnes 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 are especially honored to welcome you to our campus, and after lunch look forward to showing you some of the unique educational opportunities Ferris State University provides.

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

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I want to begin today by thanking you. In my five years as a university president in Michigan there has been no more supportive act than your strong action to make good on the delayed payment from last August. For Ferris State University this represented $4.5 million, an amount we could not have cut from our budget without significantly impacting on the quality of the education we provide.

Our approach last fall, in light of the delayed August payment, was to charge our students a contingency fee of eight dollars per credit. Over both fall and winter semesters, this would have raised $2.2 million. My thinking was that this would have placed us about halfway toward replacing the $4.5 million shortfall. I recommended the contingency fee approach because it allowed our institution to address the potential shortfall without permanently raising tuition.

After we received the delayed payment, in November our Board of Trustees acted to remove the contingency fee for spring semester. In December when you resolved concerns regarding the new service taxes, our Board then acted to return the funds collected fall semester to our students. We did this in the following fashion. Continuing students received this as a credit toward the spring semester bill; students who did not return to the University received a check refunding the full amount.

In these times of reduced funding to higher education, it is not a decision made lightly to return $1.1 million. There were many, many things our University could have done for our students to improve their education with those funds. However, it seemed to me the only right thing for us to do. I want to publicly salute the members of our Board of Trustees who had the courage to do so –

James K. Havemen, Jr. – Chair
R. Thomas Cook – Vice Chair
Patrick W. La Pine – Secretary
Arthur L. Tebo – Immediate Past Chair
Gary L. Granger – Chair, Finance Committee
Ronald E. Snead – Chair, Academic and Student Affairs Committee
George J. Menoutes – Member
Sueann L. Walz - Member

Ferris is the Fastest Growing Public University in Michigan

Over the last seven years, Ferris State University has been the fastest growing university in Michigan. This fall we enrolled 13,087 students – the most in our history. This is the first time in our 124-year history that enrollment at Ferris has exceeded 13,000 students. That pattern has continued for spring semester with 12,407 students – 400 more students than when I spoke with you last year. Since 2001 student growth at Ferris State University represents 22% of the overall growth in Michigan public four-year college enrollment during this period. (See Chart One.)
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.

Higher Education Funding in Michigan Punishes Enrollment Growth

However, our experience over this seven-year period is a cautionary tale of how words have not been matched by action. It is a commonly expressed sentiment in Michigan that more students should attend college. It seems ironic that the one thing we can agree on is something that still does not receive funding. Simply put, 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.

For financial comparisons it is useful to use Full-Year Equated Students (FYES). This number is derived by dividing the total number of credits at the undergraduate level by 30 (2 semesters of 15 credits) and 24 at the graduate level (2 semesters of 12 credits). This is an accurate per capita measure of the credits produced at an institution. During the period 2001 to 2007 Ferris FYEs grew from 8,979 in 2001 to 11,492 in 2008. This represents 28% growth over this time. (See Chart Two.)

In 2001 Ferris State University received $6,094 per Full-Year Equated Student. Today we receive $4,324 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 red line on the chart. (See Chart Three.)

If during this period enrollment at Ferris State University had not grown, we would have received substantially more per student. Instead of the current $4,324 per student, with level enrollment we would today receive $5,534 per student. Worse, if we had lost enrollment and were educating 825 fewer students than in 2001, we would still be receiving the same amount per student today as we did in 2001. How can such a policy possibly make sense as an approach to funding higher education in Michigan?

The black line on this same chart represents what funding would be at our University if inflation-adjusted funding had kept pace with increased student enrollment over this period. Had this happened, we would today receive $7,247 per student. This is a stunning shortfall of $2,923 per student. For our current FYES enrollment this represents more than $33.5 million that Michigan has disinvested in student education at Ferris State University.
Educational Cost at Ferris State University

There are two basic components in higher education funding: tuition and state support. These are illustrated on the next chart. The red line represents the funding Ferris State University receives for each FYES student. The blue line represents the average tuition paid by all students at both the undergraduate and graduate levels at Ferris. As state funding declines from $6,094 to $4,324, the average tuition cost increases from $5,580 to $9,285. (See Chart Four.)

To focus on tuition costs is to see only half the equation. It is essential to look at educational cost as the combination of state support and tuition. For Ferris in 2001 this cost was $11,674; in 2008 that cost is $13,609. This increase is lower than the rate of inflation reflected by the Consumer Price Index; adjusted for the CPI our cost today would be $13,984. We fare even better under a far more applicable inflation comparison, which is the Higher Education Price Index (HEPI). Had cost increased at Ferris as indexed by the HEPI during this period, our education would now cost 11% more, or $15,289. (See Chart Five).

If the state had funded enrollment growth and increased state support by even the more conservative Consumer Price Index during this period, today our average tuition would $5,534. During this seven year period, the average rate of tuition increase would have been only 2.1%. While advocating that many more Michigan citizens should realize their dream of a college degree, our state has transferred the financial burden of this education to our students.

Funding High Education

Much of the discussion regarding higher education funding this year will center upon funding formulas. In many ways I consider the formula to be a red herring issue. The focus of this year's budget discussions should be the potential 3% increase to higher education. This is what is important. With that being said, I generally favor a formula for higher education, since a formula sets funding expectations. In the general fund, Medicaid and Corrections annual requests, for example, arrive not only with such expectations, but frequently with cost overruns. However, I would encourage you to consider a formula-based approach that fosters collaboration and cooperation rather than division among public universities.

This fall will mark the sixth budget I have set for our University. To date during my Presidency we have not received a budget increase. In three of those six years I have been forced to make mid-year reductions. It is past time to change the erosion of support for higher education in Michigan. Please focus on the potential for an increase to higher education, not the distractions that surround this debate.
There are simpler solutions to higher education funding. Begin by rewarding enrollment. Fund the actual increases in Full Year Equivalent Students at our institutions. If you truly believe that more students should attend our universities, fund them. It would be my hope that you would choose to do this at $5,657, which is the average state support for an FYES. However, any amount would be better than what we receive, which is zero.

It has been recommended that the state base funding on graduation data, rather than on the enrollment approach outlined here. A graduation-based approach, while philosophically and emotionally appealing, is economically unsound. Here’s why.

I purposely chose the period 2001 to 2008 for my comparisons. A student who began studies in 2001 will be considered a part of the six-year graduation cohort rate in 2006. The data for this cohort will be compiled in 2007 and if funding is contingent, it would follow in 2008. How many of you were in this room 2001 or will be here in 2015? This spring I will be the sixth most senior university president in Michigan and I began in 2003!

Enrollment growth is not something that universities pursue to chase funding mechanisms. We encourage students to attend Ferris State University because we believe, like you, that higher education is a portal that leads to future achievement and success for our students, who are your citizens and constituents.

In reality, enrollment growth leads precisely to the increased number of college graduates our state needs. During this period, 2001-2007, while full-time equivalent students have increased by 23%, the number of degrees awarded at Ferris State University has increased by 43%. (See Chart Six.)

Closing Thoughts

There are other areas of significant concern for our University. We believe the continued division proposed among our state public universities works against a spirit of collaboration the state should encourage. MPSERS is still an unreasonable financial burden placed upon Ferris State University and six of our sister institutions. We believe efforts to create a four-year public university in Macomb County go directly against our continued collaborative commitment to create access and opportunity there at a time when our state’s support for the four-year institutions it already has is stretched far too thin.

Ferris State University has many more points of pride than we can share during our time today. Let me just say that retention and graduation rates continue to increase and our efforts to create additional financial support for students are succeeding. Our partnered efforts with community colleges are meeting with great success and acceptance. We are especially proud of strategic planning efforts – in which the entire
University community has engaged – that have defined our values, developed a new mission statement for our University and created an exciting vision for our future. This spring we adopted the first ever university-wide diversity plan, that values all people and seeks to create a university where all are welcomed and valued. Finally, our efforts to foster the civic engagement of our students and to partner with our host communities have succeeded beyond our most optimistic hopes.

In closing –

Thank you again for your hard work in delivering the delayed payment.

Focus on the prospect of delivering a funding increase for higher education.

Finally, thank you for the support and encouragement you provide us in higher education. This is most sincerely appreciated.

These materials are available on-line at:
http://www.ferris.edu/htmls/administration/president/house_2008.htm