The Funding of Higher Education
In Michigan:

Ferris State University,
Higher Education Funding, and MPSERS

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Senator Stamas and members of the Senate 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. It is my hope that a year from now I will have the opportunity to welcome this committee to our Ferris State University campus and invite you to hold your hearing there.

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 -

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<tr>
<th>Senator</th>
<th>Students</th>
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<tr>
<td>Sen. Anderson</td>
<td>86 students</td>
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<td>Sen. Brater</td>
<td>209 students</td>
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<td>Sen. George</td>
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<td>Sen. Stamas</td>
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<td>Sen. Barcia</td>
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<td>Sen. Hardiman</td>
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<td>Sen. McManus</td>
<td>2,573 students</td>
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There can be no denying that these are challenging times for Michigan. As economies surge across the country our state continues to experience significant job loss and tax receipts continue to fall short of budgeted needs. There can be little doubt that a college degree is the centerpiece of reestablishing our economy in Michigan. Working together we can change the path and the future of our state.

Today provides the opportunity of a new start for higher education funding in Michigan. We will not have the resources to undo the mistakes of the past, but we can begin to fund higher education so that Michigan can reach this future. In my remarks today I will provide an introduction to the unique characteristics and contributions of Ferris State University, provide observations on higher education funding in Michigan, and provide an introduction to the significant impact the Michigan Public Service Employees Retirement System (MPSERS) places on our institution.

Ferris State University Provides Unique Programming That Leads to Job Placement

Many of you know Ferris State University through our Pharmacy graduates. At Ferris we graduate 150 pharmacists annually, providing more than half the pharmacists in our state. We also have the only College of Optometry, one of sixteen in the nation, educating all optometry graduates in the state. These are both first professional degrees at the doctoral level.

Ferris is also well known for the unique undergraduate degree programs it offers. These include high demand healthcare fields like respiratory therapy and nuclear medicine, together with programs in nursing, medical technology, health administration, and medical records technology. With one of the largest technology colleges in the country we provide programs in architecture technology, automotive and heavy equipment technology, construction management, heating, ventilation, air conditioning and refrigeration, mechanical engineering technology, plastics engineering technology, printing management technology, rubber engineering technology, surveying engineering, welding technology. In business we developed the first professional golf management degree, the first professional tennis management degree, and provide unique programs in hospitality management and music industry management. Our criminal justice program is the largest in the state and graduates credentialed law enforcement officers. Our degree in digital animation and game design has rapidly become one of the most respected programs in the country. Beyond these we offer high quality programs in business, education, and in arts and science fields.

Our bachelor programs are accompanied by high demand professional degrees, an MBA that can be obtained online, a nursing master’s degree that helps prepare faculty to address the critical nursing shortage in our state, a masters degree in criminal justice to prepare the leaders for this field, and a masters degree in education with a special emphasis in career education that provides leadership at community colleges and M-TECH
centers in our state. With our master’s degree in nursing and a special program to create nursing preceptors at hospitals and nursing homes, we stand ready and prepared to support Governor Granholm’s Nursing Corps proposal.

Last year Ferris also awarded 905 associate degrees, seven times more than any other public university. This would have made us the 9th or 10th largest community college in the state, but more importantly the third largest awarder of associate degrees in health care and technology. We find that nearly 70% of our students who graduate with an associate degree continue toward a bachelor’s degree. For them the associate degree provides a starting point for higher education.

At Ferris we strive to create degree and credential programs that meet both needs and opportunities in our state. One example of this is our new MBA with an emphasis on design produced with the Kendall College of Art and Design. To help support the Workforce Investment Act during this time of economic devastation in Michigan, we have created 56 training programs, four times more than any other university in the state. An example of this is our unique approach where a displaced worker may earn a certificate in phlebotomy, gain employment in the health care field, but also have career path with a future, leading to an associates degree and then a bachelors degree in medical technology. With this unique focus and mission, we stand ready to support and promote the Governor’s proposal for displaced workers that leaves no worker behind.

At Ferris State University we take great pride that our students graduate prepared for a career. Our job and student placement rate remains at 98%, which we believe is the highest in state. I find it especially impressive that seventy-four of our programs have 100% job and student placement rates. (See Chart One).

This success results from our unique approach to education, which combines a high-quality academic foundation, career-specific hands-on education, program advisory boards from business and industry, and real-world internship experiences working at businesses, companies, in industry, and in the public sector. Perhaps most importantly this results from the extraordinary work of our faculty at Ferris State University. Our faculty bring a strong commitment to teaching and do so at institution committed to becoming a Learning Centered University.

We also believe this success is a result of an educational model that works. For our students this means small classes with full-time faculty. Our average class size is 19 and our student to faculty ratio is 15:1. Only 15% of our classes are taught by adjunct faculty and we use no graduate assistants.

**Ferris State University Believes Learning Extends Beyond the Classroom**

Ferris State University is committed to becoming an engaged campus. Through this we recognize that much learning occurs or continues outside the classroom. Three
projects demonstrate our institution’s commitment to engage the campus in the local community, region, and state.

- The American Democracy Project (ADP) educates students for active participation in the democratic process and is part of a national effort sponsored by the American Association of State Colleges and Universities (AASCU). Examples of work by ADP include voter registration opportunities, forums for candidates for public office, discussions of ballot issues and other election issues. Additional information on the American Democracy Project is available at Ferris State University - [http://www.ferris.edu/htmls/administration/academicaffairs/ADP/](http://www.ferris.edu/htmls/administration/academicaffairs/ADP/) and AASCU - [http://www.aascu.org/programs/advp/](http://www.aascu.org/programs/advp/)

- Ferris State University is one of eight institutions chosen nationally to participate in the Political Engagement Project (PEP) sponsored by the Carnegie Foundation and AASCU. This effort builds engagement in classes throughout all disciplines in the University. Ferris’ efforts in PEP are considered to be best practice examples in this movement. More information on the PEP is available at - [http://www.ferris.edu/htmls/administration/academicaffairs/ADP/PEP/](http://www.ferris.edu/htmls/administration/academicaffairs/ADP/PEP/)

- Through a partnership with the Michigan Campus Compact and the AmeriCorps Vista Volunteer Project our University fosters academic service learning. Service-learning enhances traditional classroom study by supplementing it with community service that is relevant to the subject material and meaningful to the community. More information on Service Learning at Ferris State University is available at – [http://www.ferris.edu/htmls/administration/academicaffairs/ADP/ServiceLearn/](http://www.ferris.edu/htmls/administration/academicaffairs/ADP/ServiceLearn/)

Simply put, we believe our graduates need to be prepared for more than a career, they need to be prepared to be engaged citizens.

**Ferris State University Provides Bachelor Degree Access Throughout Michigan**

Over the past three 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. Today many students in Michigan begin their education at a community college and then are unable to relocate to a public University, place-bound by family, economic, or job constraints. For these students we offer programs with our community college partners on their campuses. Through these efforts we create a seamless transition for students who might not otherwise have access to a baccalaureate program. These efforts are cost effective as they use existing state facilities, and do not require the development of new curricula or administrative systems. It is useful to note that as a result of these efforts, last fall 43% of the new students at Ferris State University were transfer students.
As a part of these partnership efforts with community colleges, we have established new bachelor degree programs at –

- Delta College
- Henry Ford Community College in Dearborn
- Lansing Community College
- M-TECH Center in Howell
- Macomb Community College
- North Central Michigan College in Petoskey
- Northwest Michigan College in Traverse City
- Oakland Community College
- Saint Clair County Community College in Port Huron
- Schoolcraft College in Livonia
- West Shore Community College in Scottville.

These efforts build upon successful programs already in existence at –

- Bay de Noc Community College in Escanaba
- Bay Mills Community College
- Grand Rapids Community College
- Mott Community College
- Muskegon Community College
- Southwest Michigan College in Dowagiac and Niles
- University Center at Gaylord

Currently Ferris State University provides its unique career-based education at twenty-five locations throughout Michigan. Future partnerships are under discussion for Alpena Community College and Wayne Community College. The degrees we provide throughout Michigan are designed to supplement rather than duplicate degree offerings currently available throughout the area.

We are especially 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.

Additionally Ferris State University has increased on-line enrollments and offerings by nearly 60% during the past three years. This year we have been authorized by the Higher Learning Commission to offer any of our current degree offerings through the Internet without additional review by the Commission. Currently we offer the bachelors degree in Heating, Ventilation and Air Conditioning on-line.
Ferris State University Offers High Quality Education Designed for Student Success

Over the past six years Ferris State University has created and gradually increased standards for admission. Admission to this year’s entering freshman class required a score of 17 on the ACT or a 2.5 high school grade point average. With these increased admission standards we have had significant improvements in retention. Over the past decade first year retention has improved by 10%.

To retain students we take special care to foster student success. A sampling of these efforts include -

- **Comprehensive Orientation Program** – We offer experiences for first-year students, honors students, international students, transfer students, off-campus students, and graduate students.

- **First Impressions Program** - During the first week of classes in the fall and spring semester, information kiosks are set up campus-wide to direct students to classes, to answer questions, to provide moving-in assistance, and to offer refreshments. It is an opportunity for faculty, staff, and students to interact during this period of adjustment to the beginning of the semester. There are also extra campus activities offered to encourage new friendships and interactions.

- **Welcome Calls to New Freshmen and Transfer Students** - For new students in the fall and spring semesters, the Ferris communication center contacts each new student to inquire about how the student has adjusted to the University. We offer to answer any questions students may have, in addition to providing them with information about campus events and services.

- **Required First-Year Student Seminar** – The mission of these classes is to provide students with personal connections, knowledge, and resources that will enhance their potential for learning, safety, satisfaction, and graduation.

- **Structured Learning Assistance Workshops** – This is an academic support system that features weekly study and practice workshops where students master course content to develop and apply specific learning strategies to improve academic success and foster retention.

- **Peer Mentor Program** – This program assists first-year students to become more prepared academically and socially for the challenges faced during the first year of college. The goal of the program is to increase the likelihood of persistence and successful graduation of participants.

- **Midterm Grade Notification** – This is encouraged in all classes, but especially in 100- and 200-level courses to enable students to take corrective action earlier in the semester to foster academic success.

- **Academic Support Center Services/Tutoring and Writing Center** - The transition to college-level work can sometimes be challenging and Ferris has a number of services to assist students in the academic area. The tutoring center offers one-on-one tutoring by appointment and on a walk-in basis, in addition to providing assistance with study skills and a study resource section. In addition,
those students needing assistance with writing and editing papers may utilize the writing center. These services are free to all Ferris students.

**Ferris is a Major Economic Force for Our Region**

A comparison of relative job growth reveals the impact of Ferris State University on our region. Ferris is the largest employer north of Grand Rapids, south of Traverse City, and west of Mt. Pleasant. An excellent example of this is in Mecosta County where our Big Rapids campus is located. Here our efforts in this region create jobs and help grow our economy in these difficult times.

A comparison of 2000 and 2006 employment data shows a 5.5% increase in employment throughout the United States. During this same period Michigan’s employment has plunged 3.8%. One would expect that Mecosta County would reflect this statewide trend. The reverse is true. From 2000-2006 employment has increased by 4%, reflecting national growth and not the declines within Michigan. This employment growth is a direct result of Ferris State University and the key role we play in growing and sustaining our regional economy. (See Chart Two)

**Higher Education Funding in Michigan**

These are times of record enrollment at Ferris State University. This fall we enrolled 12,575 students – the most in our history. Our spring semester enrollment is 12,036 students – the first time in history we have exceeded 12,000 students for the spring semester. The reality is that the percentage growth for enrollment at Ferris State University is the second fastest of any public university in Michigan, second only to our colleagues at Grand Valley State University. During the 2002 to 2006 period the number of full year equated students increased by 15.63%. (See Chart Three.)

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 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. (See Chart Four.)
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. With this year’s current state support of $50 million, that represents a shortfall of 37%!

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.”

There is acknowledgement both in this room and in our state that funding reductions for higher education should stop and that increased support for higher education is needed. As you consider these issues I believe it may be helpful to you 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.

Through these comparisons, Michigan puts $6.26 in state tax funds toward higher education for every $1,000 in personal income. These figures include not only the amounts given to public universities, but also state funding for financial aid and scholarship programs sponsored by the state. This amount is below the United States average of $7.08 and places Michigan 35th nationally. 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 Five.)

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. Michigan today contributes less to higher education than it did forty years ago. (See Chart Six.)
Michigan Public School Employees Retirement System (MPSERS)

Finally I want to share with you my deep concerns regarding MPSERS. 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 burden on 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.

In understanding MPSERS, it is useful to look back at the history of its development. In 1945, the Legislature adopted the Michigan Public School Employee’s Retirement Act (MPSERS). Its purpose was to provide pension benefits (not health benefits) for former employees. From 1945 and over the next several years, it grew to include Michigan K-12 public schools, various Michigan community colleges and junior colleges, and seven of the fifteen public universities.

Of the universities in existence at the time of the adoption of MPSERS or shortly thereafter, the University of Michigan, Michigan State University, and Wayne State University were not mandated to participate in MPSERS. Participation was mandated at that time for the institutions which became Central Michigan University, Eastern Michigan University, Lake Superior State University, Michigan Technological University, Northern Michigan University, Western Michigan University, and Ferris State University (the MPSERS universities). Beginning with the University of Michigan-Flint, in 1956, all of the institutions that subsequently became public universities were not put into MPSERS – Oakland University, University of Michigan Dearborn and Flint, Grand Valley State University, and Saginaw Valley State University.

At the time of its adoption in 1945 until 1974, the State took full responsibility for the participation it mandated by fully funding the costs for MPSERS retirees and dependents. The 1945 legislation defined the word “pension” as “annual payments for life derived from money provided by the State.” A significant policy shift occurred in 1974 when the State assessed MPSERS universities, community/junior colleges, and public schools a portion (up to 9%) of the MPSERS costs. In 1975, MPSERS was amended to include the cost for retiree health benefits to the MPSERS pension payments – a State mandated change.

In the early 1990’s the State transferred the full cost burden for MPSERS to the MPSERS entities. Public schools, as a result of Proposal A, received additional resources to support the full MPSERS costs, universities did not (other than a small amount in 1992-93 which was never sustained). In 1995, MPSERS universities expected help from legislation that excluded any new university employees hired after January 1, 1996 (unless they had previous MPERS university experience) from
belonging to MPSERS. Nevertheless, with the passage of time, the relief that was expected to be provided by the legislation never materialized and contributions for unfunded liabilities continue to increase. The MPSERS universities are being asked to pay substantial unfunded liabilities accrued from when the State had not fully funded known obligations.

From 1974 to date, the legislature has increased benefits for MPSERS retirees, without input from the universities, and without recognition for the increased costs that would result. As a result, MPSERS costs to the universities have continued to skyrocket. This year, 2006-2007, the MPSERS universities estimate they will pay over $42 million back to the State to support MPSERS costs.

MPSERS assesses costs pursuant to three components:

1. Pension Current or Normal Costs – the monthly cash benefit earned by active employees. MPSERS assesses a percentage against the payroll of current MPSERS employees to provide sufficient funds to cover the cost attributed to the current year. This year (FY 2007) that percentage is 6.38%.

2. Unfunded Actuarial Accrued Pension Liability – this is the amortization of the amount that MPSERS is short when comparing the present value of all earned or accrued benefits to the value of current assets. MPSERS assesses each university a percentage of payroll for current university MPSERS employees AND current university employees who would have been in MPSERS but for the January 1, 1996 legislation to exclude new hires from MPSERS. This year the contribution rate is 6.85%.

3. Current costs for retiree health benefits are set out in actual dollars and are the projection of the year’s costs for the health benefits provided to current retirees of the MPERS institutions.

Of the estimated $42 million the universities will pay into MPSERS this year, 55% will support retiree health costs, 26% unfunded liability, and 19% normal pension costs.

At our University we have capped retirement costs for all employees at no more than 12%. For our 470 MPSERS employees we currently pay over 31% of salary. While charges have not yet been received for next year we estimate that amount will continue to increase. 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 currently pay 6.85% for these employees, a rate that has increased nine-fold in five years (see Charts Seven and Eight).

MPSERS is an unfair and unreasonable burden on Ferris State University and our six sister institutions. At a time when much interest is placed upon taxes, this is a 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 $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. For FY 2007 this amount would be $42 million. However there are significant actions you can do that limit the debilitating impact of MPSERS. I urge you to consider the following –

1. Take MPSERS out of comparisons for state funding per student. For FY 2007, the MPSERS costs represent 7.3% to 14.5% of annual State appropriations among the MPSERS universities.
2. Recognize past employment impact on unfunded liability, pension, and retiree costs. Currently we pay full liability for employees that began in the K-12 system and moved to higher education.
3. Have MPSERS universities pay a fixed percentage annually into MPSERS and tie this to the same percentage as K-12 districts pay. The State continues to penalize higher education for not placing new employees in the MPSERS. This could be accomplished through two approaches.
   - Include higher education with K-12 members in calculating annual contributions. This would blend these costs over all MPSERS entities, not just higher education.
   - Provide a State appropriation that represents the difference between the fixed percentage K-12 pays into MPSERS and calculated university annual costs.

Concluding Thoughts

Thank you for this opportunity to share these thoughts about Ferris State University and funding for higher education in Michigan. I want to personally invite each of you to visit our campus. I welcome the opportunity to show you firsthand the remarkable work in teaching and learning that occurs daily at our University.

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. Most importantly I want to express my sincere thanks to each of you for your support of higher education in Michigan.
These materials are available on-line at:

http://www.ferris.edu/htmls/administration/president/senate_2007.htm