

President's Memorandum to Faculty and Staff

Office of the President
August 10, 2010

State Budget

As the beginning of the academic year approaches, I want to take this opportunity to keep you informed about the budget situation in the state. Actions in Lansing have a profound effect on our continued success in making Ferris a new sort of University indispensable to building a new, greater Michigan. Although much is still uncertain, I want you to be aware of the challenges we face.

You may recall that the state budget had been predicated upon an additional \$560 million in federal support for Medicare. When these funds were not approved earlier this summer work on the state budget essentially stopped as the state awaited action at the federal level. Before adjourning last week the U.S. Senate passed a scaled-down bill for state Medicare and education support. If approved, this will leave state lawmakers \$260 million short of what they had expected to receive from Washington to balance the budget for this year.

Because of this, it is unclear if a budget can be approved in September, or whether a continuation budget will be passed. Gov. Granholm has said that she would not sign a continuation budget, but it seems likely that in an election year legislators will want to move into October with at least a temporary budget in place.

Whatever the case, a state budget will not be passed before the start of our fall semester. The uncertainty this causes makes it very difficult for us to do the planning necessary to deal with the financial challenges from the state. What seems certain is that when a budget is finally passed it will not address the long-term shortfall in the general fund, which faces a deficit of \$1.7 to \$2 billion for 2011-12. We will see the impact of these shortfalls perhaps as early as this January.

Fall Enrollment

As state support for higher education decreases, it is our students who pay an increasingly larger share of the cost of their education. This fall, tuition will constitute more than 72 percent of University revenue. Currently, overall enrollment is up 419 students and 2,564 credits more than at the same time last year. We are seeing record growth in Grand Rapids, at Kendall, at other state locations and on-line.

The same is not true in Big Rapids, which presently has 48 students and 1,157 credits fewer than at this same time last year. The greatest concern is in continuing students where we are running 209 students and 1,157 credits behind last year. It seems likely we're seeing existing students squeezed by the slow economy and the increased cost of their education. If you talk to students as I do, you hear many stories of second and third jobs and the challenge of juggling those while maintaining grades.

Enrollment is a critical component of our finances, and historically we have enrolled a significant number of students during the last week before classes begin. Anything that discourages students from enrolling or attending in the fall will have significant budget repercussions. Every 1,000 Student Credit Hours equate to about \$330,000 in revenue, and 100 full-time students represent nearly a million dollars in revenue. I am hopeful that we will close this enrollment gap over the next few weeks, but if this does not happen we will need to reduce our budget even further beyond the reductions received from the state.

FSU Budget

Throughout this recession I have held a series of open campus forums explaining our finances. Those presentations are accessible from these pages - <http://www.ferris.edu/htmls/administration/president/BudgetS09.htm> and <http://www.ferris.edu/htmls/administration/president/BudgetF09.htm> . In this same spirit, I want to quickly review some of the steps we have taken to make sure we remain on a stable course in the face of these uncertainties.

First, we have worked to reduce the budget in advance of reductions from the state. This allows us to do this proactively, rather than reactively. I have asked our vice presidents, deans, department heads, chairs, and directors to prepare for as much as a 20 percent reduction in funding from the state. I want to thank them and you for your hard, concerted efforts to reduce budgets.

Second, nearly 75 percent of our budget is in salary, wages and benefits. To balance the budget we have significantly reduced our workforce by not filling many open positions, and using early retirement incentives to further reduce the number of staff and administrators. As of this fall we have reduced our workforce by 115 positions. These represent 27 part-time and 88 full-time positions. The bulk of the reductions have been in staff and administration, with 87 positions eliminated (62 full-time and 27 part-time). We currently have three colleges undergoing a change in leadership, and I appreciate the extra effort it takes to assure that we continue to operate smoothly.

A Longer Perspective

A recent report by the Michigan House Fiscal Agency helps place the magnitude of funding challenges at Ferris and the success of our efforts to control costs in perspective. Attachment C of this report (found at: <http://www.ferris.edu/htmls/administration/president/memos/HE2010TuitionRates.pdf>) compares the appropriation per student from 2000-01 with 2008-09. During that period state per-student support at Ferris declined from \$6,094 to \$4,444, or 29.3 percent. This is the largest percentage decline of any public university, with the average for all 15 public universities being 16.8 percent. During that period our tuition increased 79.6 percent. This is the second smallest increase after the University of Michigan. The statewide average increase is 90.8 percent and the greatest increase came at Eastern Michigan University with a 168.4 percent rise.

These numbers demonstrate our success in managing the cost of education at Ferris State University. While it is true that tuition has increased significantly, our combined efforts have helped restrain and limit those increases.

These are challenging times for higher education both in Michigan and across our nation. Thank you for your work and thank you for helping keep our education of the highest quality and affordable for students. In just three weeks we will begin classes for our 126th year. As we continue to bolster enrollment and carefully balance the budget I very much look forward to the beginning of fall semester and to continuing to work together to overcome our challenges.

Sincerely,

David L. Eisler, President