President's Memorandum to Faculty and Staff

Office of the President
February 17, 2010

Last Thursday Governor Jennifer Granholm issued her proposed budget for 2010-2011. The state general fund, which includes the higher education budget, is facing a shortfall in excess of $1.2 billion for next year on estimated revenues of $6.9 billion. The proposed general fund budget includes $566 million in cuts and a new 3 percent assessment on physicians. The Governor proposes that more than half of the general fund shortfall would be filled with one-time economic stimulus funds. $200 million of these are currently available. An additional $514 million would come from new stimulus funds requested by President Obama in the 2011 federal budget, although those funds have not yet been approved.

The school aid budget proposals for K-12 education have attracted much public attention. These include a reduction in the state sales tax from 6 percent to 5.5 percent, but at the same time expand this tax to include services. After 2011 a portion of these revenues would be directed to the Michigan Business Tax, phasing out the MBT Surcharge in 2011 and reducing the MBT gross receipts tax in 2012 and 2013.

As proposed, the budget is good news for education. K-12 is maintained at current reimbursements and higher education would have last year's economic stimulus funds replaced with base funding. Further, the Governor has said she will not accept a budget with cuts in education.

Other elements having an impact on Ferris include proposed retirement reforms for the Michigan Public School Employees Retirement System, limits on reimbursements for Tuition Incentive Program Students (TIPS) to no more than community college tuition rates, and a plan to revive the Promise Grant Scholarships as a tax credit for students after they graduate, provided they remain in Michigan for a year

Perhaps like me, you have been following the varied response to these proposals. These range from legislators who have declared this budget "dead on arrival," to those who consider the proposal as containing some bold ideas. Beyond what, ***if any***, of this might be finally adopted, there looms the question of ***when*** this might get done. The Governor has called on the legislature to move quickly to approve a budget. However, the current budget process will be influenced by a high level of political complexity. This is a year during which nearly every state office is up for election, making quick approval unlikely.

It is early in the budget process and our state faces monumental challenges in this budget. From my perspective these seem reasonable assumptions at present –

- It is unlikely that all of the proposed cuts will be adopted. For example, the elimination of scholarships for private college students has been proposed in six of the last seven budgets without success. Rejecting proposed cuts will require legislators to look for other areas to reduce.
- The new taxation concepts in this budget, a tax on services and the physicians' tax, have been proposed before without success. A tax on services was adopted and then repealed in fall 2008. In an election year it will be nearly impossible to develop bipartisan support to raise taxes. If the service tax is not adopted, solving the problems of the school aid fund will be the primary focus in Lansing.
- Even if these new taxes are successful, the general fund would still rely on $714 million in economic stimulus funds, one-time dollars that will need to be replaced. Assuming these stimulus funds are approved at the federal level, this still leaves a huge systemic hole in future general fund budgets.
- There is disunity and disagreement in Lansing, with competing plans for healthcare, benefits, and salary reductions from the House, Senate and Governor. For the past few years the legislature has passed very little from the Governor's proposed budget, which could be especially true during this, her last year in office.

As a result, there presently exists more uncertainty regarding the budget and its future direction than I have seen at any time in my seven years as president.

Although we do not know what will ultimately happen with the budget, it is evident that Michigan still has not come to grips with the chronic shortfalls in its budget. In this environment it is hard to envision future budgets for higher education that do not include significant reductions. These cuts will come on top of those of the past few years that have caused us to reduce, reduce and reduce.

Throughout this economic decline we have worked proactively together as a University to make decisions that prepared us for what is ahead, rather than simply waiting to react to events as they occurred. It is of critical importance that we continue to do so today.

As a result of this ongoing funding uncertainly, and to continue to anticipate and prepare for what lies ahead, I am proposing an early retirement incentive for full-time employees at our University. By encouraging some employees who may have been considering retiring to do so now, we better position the University to be able to avoid more wrenching decisions in the future. With this action I am hopeful that we may be able to end this cycle of continual reduction, placing such reductions behind us and focusing on the future.

This plan does not extend to employees at Kendall College of Art and Design in Grand Rapids because Kendall is not dependent on base dollars from the state and thus is not as impacted by state funding reductions. An early retirement incentive option also does not currently apply to faculty here in Big Rapids. Negotiations for a new contract with the Ferris Faculty Association are in progress.

This incentive is only being offered during the current fiscal year, to be effective for the fiscal year beginning July 1, 2010. To be eligible for this incentive an employee must have served ten years of continuous, full-time employment at Ferris. Those accepted for the incentive will receive two percent of their present salary times years of service or $10,000, whichever is greater. They also can receive continuing health insurance coverage under COBRA with the University paying its current share for up to twelve months.

On Tuesday I met with the leadership of each of our non-faculty bargaining units in Big Rapids and explained the details of this plan to them. I asked if they would be willing to accept this plan for their members and am hopeful that they will choose to do so. Our AFSCME union has already communicated that they will. The University Board of Trustees must vote to authorize this initiative and I will be proposing this to them in a special conference call for this purpose on February 23rd. Expedited Board approval will provide employees the maximum amount of time to consider this and allow completion by the June 30 deadline.

The application period will start February 24th and close March 26th. Applications will be reviewed and a decision by the University to accept or decline them will be made by April 7th. Employees accepted into the program will then have up to 45 days to decide if they will take the early retirement incentive. The final day of employment for these employees will in nearly every case be no later than June 30th of this year.

A illustrative summary for the program with additional details is available at http://www.ferris.edu/president/memos/ERI_summary_021710.pdf . Additional, finalized information will be available from the Human Resources office on February 24th.

I believe we have managed to minimize the worst effects of the state's economic troubles at Ferris State University by taking action that anticipates challenges rather than just reacting to them. Going forward our goal is to continue to provide a high quality education while keeping tuition affordable for students.

Candidly, I have struggled with and resisted presenting an early retirement program to you. It saddens me to consider losing the valuable experience of senior members of our University. However, I now believe that it is time to implement the early retirement incentive. This action will help us to continue to build a great University amidst the longest and deepest economic downturn in Michigan in almost three-quarters of a century.

As always I solicit your thoughts, advice, and counsel for my efforts in leading our University. Thank you in advance for sharing these with me.

Sincerely,

David L. Eisler, President