

President's Memorandum to Faculty and Staff

Office of the President
March 23, 2007

When I last wrote to you regarding legislative issues in mid-February, the Michigan Senate has just rejected the Executive Order proposed by Governor Granholm to balance this year's state budget. There has been significant activity in Lansing these past few days and I want to share with you the current status on a number of issues.

Executive Order and the Current Year Budget

This week Governor Granholm has been meeting with the leaders of the House and Senate to reach agreement on how to solve what is now a \$900 million deficit in this year's budget. An agreement on the total amount was not reached, but this work has produced a new Executive Order which includes \$344 million of reductions. Late last evening the Senate introduced its plan to balance the remainder of the budget. The most significant component of this is a reduction in per pupil funding for public schools, but there are no additional higher education reductions. At this point my understanding is that the House intends to work through the traditional legislative vacation to develop a plan to address the remaining \$556 million shortfall.

For Ferris this Executive Order has two components -

The first is a delayed payment of half what we should receive in our August revenue payment from the State. The delayed payment amount is \$2,274,800. While this Order does not indicate when we would receive the delayed payment, the last plan would have universities receiving this delayed payment on October 16th. (Note: The difference in the timing of fiscal years can be somewhat confusing. University budgets are July 1 to June 30; state budgets run from October 1 to September 30. The August payment applies to our budget year that ends June 30th.) The intent is that this delayed August payment would still apply to the current year that ends June 30th, and would be credited to that year when received.

The second is a retirement rate reduction. Because of increased values in retirement funds, the Michigan Public Schools Employees Retirement System (MPERS) would reduce their charge to Ferris by \$704,600 and our budget would also be reduced by that amount. For the current year this action does not require budget reductions on our part.

If the delayed payment is received, there will not be an overall impact on our budget from these actions. We can and will shift funds to cover the August shortfall until it is received. I believe that the legislature and Governor will cover the delayed payment

when it is due in October. The critical question is how the funds will be available to make the payment in October when they are not present in August. There is past history that suggests ultimately the delayed payment approach can lead to budget reductions the following year. It could be next fall before we know the ultimate resolution for this.

The reality is that the delayed payment for Universities is not a new idea for this year's budget balancing plan. While it received little attention in the press, I talked about this in my February 19th memo to you. Information on repayment was contained in the text of next year's budget, where it was called a deferred rather than a delayed payment and the amount was \$2,274,777.

There is still much work to be done before the current year budget is balanced and for public schools, community colleges, and universities the end of the budget year is quickly approaching. We will watch carefully the work of the legislature in the next few weeks to continue to soften and cushion the impact on Ferris State University. Yesterday's announcement that the House intends to work through the traditional two-week legislative spring break beginning the end of March indicates the seriousness of this task and the need to resolve this as soon as possible.

Next Year's State Budget

While the State struggles to resolve this year's challenges, preparation continues on next year's budget. The House Higher Education Appropriations Subcommittee has completed hearings and is working to present a draft budget to the full appropriations committee. This budget is based on the Governor's projected 2.5% increase in appropriations to higher education. Initial drafts also reflect our work to raise the questions of unfunded liabilities we pay for MPSERS and include support for this and the unfunded portions of the Native American Tuition Waiver.

One of the components of the Governor's proposed budget and the current draft in the House is to separate Michigan, Michigan State, and Wayne State into a separate budget bill from the other twelve public higher education institutions. This is not a new approach. An attempt at this was made in last year's Senate bill. We opposed it at that time and were successful in eliminating this in the conference committee. We have joined an alliance with eight other sister institutions to oppose this. (Note: UM-Flint and UM-Dearborn can not oppose this, and Northern Michigan has chosen to not participate.) Together with significant publicity, a recent poll published in the [Detroit Free Press](#) suggested that 76% of citizens surveyed opposed the bifurcation of the higher education budget bill. Much of Wednesday was spent with presidential colleagues talking with legislative leadership to place higher education in a single budget bill.

Significant questions and issues remain on the revenue for next year's budget. The State still needs to develop a replacement for the Single Business Tax and either increased revenues or significant shifts of funding will be needed to fund the proposed increased

support for public schools, community colleges, and universities. The Governor has proposed a 2% tax on services and other ideas for revenue enhancements are under consideration. Significant work will need to occur to develop broad-based support for these tax increase strategies.

We next testify before the Senate Appropriations Subcommittee on Higher Education on April 27th in their hearings at Calvin College in Grand Rapids. Our testimony will be similar to that delivered to the House Subcommittee. In it I stress –

- These ideas about Ferris State University
 - We provide unique programming that leads to job placement
 - At Ferris learning extends beyond the classroom
 - Our University provides bachelor degree access throughout Michigan
 - We offer high-quality education designed for student success
- Thoughts on higher education funding in Michigan that stress
 - The need to fund enrollment growth
 - The impact this lack of support has on our University
 - Our state needs to invest more in higher education
- The need for state support for MPSERS

Other Legislative Issues

A proposal has surfaced from community colleges to address the nursing shortage in Michigan by allowing community colleges to award baccalaureate degrees in nursing. A bill to this end has been drafted for possible introduction in the House. This will not effectively address the nursing shortage and we are actively working with other public universities to strongly oppose this effort. If you would like further information on this issue, please email me, eislerd@ferris.edu and I will forward you a one-page summary on why this is a very poor plan for Michigan.

The majority of the budget issues will likely need to be addressed before capital outlay projects are addressed. I am pleased to report that I am hearing strong bipartisan legislative support for our proposal of a new building for the Michigan College of Optometry. Earlier I shared with you that our Senator, Michelle McManus, was the Senate chair for the Joint Capital Outlay Committee. Since that time our Representative, Darwin Booher, has also been added to that committee. In what is a wonderful show of support, the Michigan Optometric Association has made this their top legislative priority for the year. When the time comes, significant effort will be needed to gain final approval for this proposal, but these are very promising signs.

Closing Thoughts

As I visit and listen to people around campus and in our community, I frequently hear significant concerns and worries about Michigan's future. There is no denying that

these are challenging times for our state's economy. The continued decline of the automotive manufacturing industry is a difficult and continuing problem. However I believe there is a tendency for these issues to dominate the media to the point that some of the hard work that is being done to improve our state is ignored.

In the last two weeks I have the opportunity to visit with Governor Granholm, Lt. Gov. John Cherry, House Appropriations Chair George Cushenberry, Senate Higher Education Appropriations Chair Senator Tony Stamas, and House Higher Education Appropriations Chair Representative Pam Byrnes. Each of these individuals has a strong commitment to higher education and speaks of the need to reverse funding trends to universities. Even in these difficult times I see the results of their efforts.

While the latest Executive Order does create uncertainty, it does not require budget reductions like we have seen three of the past four years. In past years we would already have seen a reduction between \$700,000 and a million dollars. Despite significant pressure to do so this has not happened. I believe this reflects a change in the consideration of our budget. There is a very long way to go with budgets in this legislative year and the fight will be difficult. However I do sense a willingness to address the budget in a way that gets our State looking forward rather than backward.

When more information is available I will share it with you. As always I welcome your comments, questions and reactions. Thank you for your help and support.

Best wishes,

David L. Eisler,
President